1983

ONTARIO BUDGET

Presented by the Honourable Frank S. Miller,
Treasurer of Ontario
in the Legislative Assembly of Ontario
Tuesday, May 10, 1983

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1983 Budget at a Glance

	1982-83	1983-84	Growth Rates
	($ million)		(%)
Gross Provincial Product	132,403	144,700	+9.3
Spending	22,943	24,710	+7.7
Revenue	20,395	22,015	+7.9
Cash Requirements	2,548	2,695	

1983 BUDGET STATEMENT

Mr. Speaker:

I now present to the Legislature the details of the 1983 Budget for the Province of Ontario.

The aim of this Budget, Mr. Speaker, is to encourage and sustain the economic momentum as it gains strength. The recovery is still in its early stages, and it will be important over the next few months to do what we can to assist the economy by putting into place policies conducive to long-term growth, productivity improvement and job creation.

The recovery is being led, as it must be, by the private sector. Only private enterprise can undertake the investments and create the permanent jobs upon which prosperity depends. Experience has shown that government works best when it works in cooperation with the private sector, allowing it the room and the resources it needs to do the things it does best, not only for itself, but for society as a whole.

GUIDING THE ECONOMIC RECOVERY

Before outlining the objectives that I have adopted for the 1983 Budget, I would like to comment on our process of pre-budget consultation. In preparing this Budget, I had extensive discussions with a large number of groups, including those representing farmers, small businessmen, teachers, workers, women, consumers and manufacturers. As well, I had meetings with other provinces, the federal government and the Association of Municipalities of Ontario. I would like to express my appreciation to all organizations that took the time to present their briefs to me. In virtually all cases, their recommendations were constructive and well-reasoned.

The pre-budget consultations indicated two main things to me. First, the worst of the recession is over. There is ample evidence that we are moving into a new period of economic growth. According to Statistics Canada, our industrial production jumped five per cent in January, the largest monthly increase in almost 50 years. This was followed by a further 1.7 per cent increase in February. A Conference Board of Canada survey of business spending intentions has shown that businessmen are revising their investment spending plans because they feel the recession is over. A consumer survey conducted by the same organization revealed a marked increase in consumer confidence in the first quarter of this year. As well, inflation is continuing to moderate in both Canada and the United States.

Equally encouraging is the news about employment. Since bottoming out last November, the number of people working in Ontario has risen by 24,000, seasonally adjusted. Employment has increased in three of the last five months. I expect that the upward trend will continue.

The improving economic news makes me optimistic about Ontario's economic outlook. At the same time, I am realistic enough to recognize that we are not out of the woods yet, and that the hardship and suffering endured by so many during the recession has not yet been overcome. Our economy is like a patient who has been removed from the critical list but still remains only in fair condition. Further recuperation is required before recovery is complete.

A second broad point of consensus that emerged during the pre-budget consultative process is that government must continue to play a supportive role in nurturing the economic recovery.

The views I received during the pre-budget discussions and my own analysis of the economy lead me to believe that our 1983 Budget can best help to restore economic prosperity by seeking to achieve four objectives.

First, we must try to maintain a cooperative federal-provincial environment so that governments work in harmony to improve our economic prospects.

Second, we must emphasize the creation of long-term employment through the private sector by encouraging investment and productivity improvement.

Third, we must expand our short-term programs for job creation, skill development and economic growth.

Fourth, we must maintain a fiscal framework that allows us to pay for our beneficial public programs without imposing an excessive burden of debt on our people.

Mr. Speaker, my Budget will address each of these areas in turn and I would first like to discuss intergovernmental cooperation.

NATIONAL ECONOMIC POLICY COORDINATION

In the past two years, certain policies of the federal government have created severe problems for Ontario. The November 1981 federal budget dampened investment and business prospects. This was compounded by the federal cuts in payments for health and post-secondary education. These cutbacks cost Ontario $288 million last year and will mean reduced revenues of $315 million this year. The lost funds in these past two years alone would have been enough to pay for five years worth of hospital capital requirements. Moreover, the federal government has further compounded the problem by capping the growth in post-secondary education transfers, an action that will trim an additional $37 million from Ontario revenues this year.

A few weeks ago, I met with the Honourable Joel Matheson, the Minister of Finance for Nova Scotia, to release a consensus provincial statement concerning this latest round of federal transfer cuts. As all the arguments are covered in detail in that statement, I will not repeat them here this afternoon. But I do want to remind the Members of the importance of that document. They should be aware, for example, that even under the most generous interpretation, the federal share in the funding of our health-care programs has fallen from almost 52 per cent a few years ago to 43 per cent today. In actual cash payments, their share is about 24 per cent. These disturbing statistics help to explain the fiscal difficulties we have in the area of health-care financing.

While I remain critical of federal policies in the area of transfer payments, I am more encouraged by certain taxation and economic policies that have been adopted by Ottawa. Going back to last June, we saw the federal government remove some of the more onerous provisions of the November 1981 budget and provide an incentive for the purchase of new housing that was complementary to the Ontario Renter-Buy Program. We then saw the federal government act, in the fall, to create a new short-term job-creation program which, in Ontario, added to the major initiatives that I had implemented earlier in the year. I responded to this constructive action by committing $100 million to the Canada Ontario Employment Development (COED) program. I was pleased to note that, in its recent budget, the federal government adopted an economic stimulation program that is oriented to the private sector.

At this point I would like to mention briefly the Tax Collection Agreement under which the federal government collects Ontario personal income tax. Last year, I indicated that I was sufficiently concerned about the nature of federal changes to the personal income tax that I questioned whether Ontario should continue to be part of an agreement that compels us to parallel most federal amendments. Accordingly, I asked the Ontario Economic Council to study this matter and report back to me. As the Members know, the Council has completed its study of this matter. It expresses concerns about the current process but recommends that Ontario stay within the Tax Collection Agreement and not adopt its own income tax system, on the assumption that the federal government can be persuaded to improve the consultative process.

I believe that, recently, the federal government has been somewhat more willing to discuss tax changes with the provinces. Therefore, we will remain in the Tax Collection Agreement for the time being. But we must seek continuing consultation, with tangible results, if we are to stay within this arrangement in the longer term.

I would like to inject one word of caution about recent federal policies, and that concerns the size of the federal deficit and the length of time it will take to reduce it to manageable levels. The Minister of Finance has attempted to address this issue by proposing tax changes, but some of them will not take effect for almost 18 months. I am, quite frankly, sceptical of this approach. Fiscal reality is not something that government can put aside for another day, or another budget.

JOB CREATION THROUGH IMPROVED PRODUCTIVITY AND INVESTMENT

Mr. Speaker, as I have noted, Ontario's economic performance relies on a strong and vibrant private sector. To gain permanent jobs for our citizens and productivity improvements that enable us to compete in world markets, business must be willing to undertake investments in new plant and equipment. Government has an important role to play in providing a climate favourable to capital formation and long-term employment creation.

In spite of improving economic prospects, business continues to approach new investment and job creation with some caution. In this environment, selective actions by government can be instrumental in reinforcing economic recovery by encouraging the private sector to undertake new job-creating investment and by ensuring that our labour force is properly trained. Later, I will outline new initiatives to expand manpower training. Now, I am proposing the following measures to promote new investment.

Loss Carry-Overs

Ontario will parallel recent federal actions that improve loss carry-over provisions under the corporations income tax. Businesses will now be able to carry non-capital losses back three years and forward seven years for purposes of determining Ontario income tax liability. This will be effective immediately for small business, farmers and fishermen, and phased in over two years for other businesses. In addition, net capital losses will be eligible for a three-year carry-back, as well as for the existing indefinite carry-forward provision. These measures, which will be of particular benefit to small business, will provide $40 million in tax relief in this fiscal year.

Production Machinery and Equipment

Turning to the issue of encouraging investment in production facilities, I have carefully examined the implications of our current retail sales tax policy. Existing provisions allow an exemption for machinery and equipment used directly in the manufacturing process. While this tax expenditure provides significant support to business investment, its scope can be enlarged. Also, the complex nature of the production process, particularly in this era of high technology, means that the Ministry of Revenue must constantly make difficult rulings to determine the tax status of particular items of equipment. This has led to frustration and uncertainty for people attempting to create new production facilities.

Consequently, Mr. Speaker, I am proposing that, effective midnight tonight, the exemption for production machinery and equipment be expanded substantially.

In addition, I propose to exempt from retail sales tax all purchases of tools and parts used for the repair and maintenance of exempt production machinery. To complement the thrust of these investment incentives, I propose to exempt from retail sales tax the purchase of certain transportation vehicles and equipment such as heavy trucks and trailers.

With these measures, we will assist Ontario industry to improve its productivity which, in turn, will help to protect and create jobs. I estimate that these measures will provide some $95 million of additional incentives in this fiscal year.

Temporary Capital Tax Relief

Mr. Speaker, while the capital tax plays an important role in the Province's revenue structure, we have been careful to ensure that this tax represents neither an unfair burden nor a needless complexity in business life. Already, the bulk of corporations in Ontario pay a flat tax of either $50 or $100. This ensures that small business, in particular, is able to cope with this tax, and that only the larger corporations pay the designated rates. Since corporations are liable for capital tax regardless of their profit position, the tax can cause difficulties during a protracted downturn in the economy when some companies simply do not have sufficient cash flow and must borrow to meet ongoing liabilities. Farm equipment dealers, for example, have suffered more than many during the recession. I am, therefore, proposing to extend temporarily the flat tax provision so that corporations in an operating loss position, and that have taxable capital of between $1 million and $2 million, will only pay $100.

This provision will be effective for two taxation years ending after May 10, 1983 and before May 11, 1985. I estimate that this measure will reduce Provincial revenues by $13 million in 1983-84.

Continuing Support for Small Business

Mr. Speaker, I have stood in this House many times and emphasized the vital role small business plays in the Ontario economy. Last year, I introduced a major incentive for small business, namely, the complete removal for two years of small business corporations income tax. Many small business people and their organizations have said that this is the most important small business incentive introduced by any government anywhere in Canada for decades.

In determining the best small business policy for this Budget, I was impressed with an observation in a brief I received from the Canadian Federation of Independent Business. It states that approximately 150,000 new small business ventures were born in 1982 and that 200,000 new ventures will be established in 1983. "Thus", says the brief, "the dynamism of the new and young firm continues in spite of the recession. Even more now than usual it is most important to create a business environment in financing and taxation to foster additional formations and the growth and success of young firms."

This observation has important implications when one considers the key role played by small business in creating jobs. Mr. Speaker, I am proposing to extend the small business exemption from corporations income tax for an additional year. This will expand our small business incentive to a value of $180 million this fiscal year.

Small Business Development Corporations

Another important element of Ontario's support for small business is the Small Business Development Corporations program. For the past four years, SBDCs have been increasing the supply of equity capital available to small businesses, thereby helping to address one of the major concerns of most small businessmen. To date, some $140 million has been invested under the program. Over 600 separate investments have been made in 314 small businesses in manufacturing, tourism, research and publishing. It is the single most successful venture capital program created in Canada.

To strengthen this program further, I have decided to increase its allocation significantly to $30 million for 1983-84. I am also proposing to expand the application of the program by increasing the employee limit for an eligible small business from 100 to 150 employees. To ensure that the benefits from this program are distributed widely, I also propose that a limit of $5 million be imposed on the total allowable investment by any number of SBDCs in any one small business.

I believe that we must assess carefully the longer-term role of this program. This summer, I intend to establish a consultative process that will allow the small business community, the accounting and legal professions, investment analysts and all other interested parties an opportunity to provide me with their views. The advice and recommendations from these parties will help me to assess whether certain changes to the current approach would ensure an even more successful program in the future.

Helping New Farmers

When we look at future productivity, we must keep in mind the sector that has demonstrated the greatest productivity gains in the past and that continues to be one of the cornerstones of our economy. I refer, of course, to agriculture.

This Government continues to be responsive to the needs of this very important sector. In 1982-83, some $45 million was advanced to the Crop Insurance Commission to compensate farmers for their tobacco crop losses caused by hail storms and early frost. Also, the Farm Adjustment Assistance Program, which was to expire in December 1982, was extended for one more year to help farmers facing a difficult economic situation.

In this Budget, I am making provision for a new Beginning Farmers Program. It will provide up to five percentage points in interest subsidy on eligible loans to beginning farmers for a period of five years. Up to 1,000 new farmers will benefit each year. At current interest rates, this program is expected to provide $9 million in interest subsidies in the first full year, and as much as $135 million over five years. The details of this program will be announced in the coming weeks by my colleague, the Honourable Dennis Timbrell, the Minister of Agriculture and Food.

This year, funding for the regular programs of the Ministry of Agriculture and Food will be increased by 9.3 per cent. The decrease in the overall allocation for 1983-84 reflects the very high level of extraordinary expenditures which were made last year including the $45 million for the tobacco crop loss and an additional $15 million for the Farm Tax Reduction Program.

The Mining Industry

Almost a decade has passed since major reforms to the Mining Tax Act were introduced. I believe the time has come for a comprehensive review of our mining tax to ensure that it is meeting its objectives of providing a fair return to the people of Ontario for non-renewable resources, while encouraging further processing and supporting the long-term interests of the mining industry. Later this year, my colleague, the Honourable Alan Pope, the Minister of Natural Resources, and I will announce details of how this review will be undertaken.

In the meantime, I would like to announce a modest incentive to assist our gold producers. Currently, a significant amount of the production of gold in Ontario is used in making the Canadian Maple Leaf gold coin. I propose to remove the retail sales tax from this coin to encourage its production in the face of increasing future competition.

Research and Development

The performance of research and development in Canada has been a topic of discussion and concern for a number of years. R&D can be an important source of competitive advantage, and society as a whole benefits from the innovation of new products and processes. It has been argued that Canada performs poorly in this essential area compared with other countries. A Budget Paper that I am tabling this afternoon addresses this issue. It indicates a marked improvement in research and development performance in the last few years.

I believe that the tax policies and BILD programs that we have put in place have played a major role in this improvement. In fact, our analysis of the tax treatment of R&D in a number of jurisdictions shows Canada to be the most generous. Other studies confirm this finding. If the proposals advanced in the recent federal budget to simplify and increase the accessibility of R&D tax incentives are implemented, then the current international advantage for Ontario firms from the tax treatment of research and development will be reinforced.

ECONOMIC STIMULATION AND JOB CREATION

Mr. Speaker, in the face of unexpected economic adversity over the past 18 months, the Ontario economy continues to show fundamental strength. I am confident that, as we emerge from the 1982 recession, our diversified economic base will provide the foundation for a sustained period of economic growth. Nevertheless, I am keenly aware of the need to assist the recovery in its early stages and, particularly, to accelerate the growth of employment. Therefore, I am announcing today selective measures to stimulate consumption and expand our job-creation effort.

A Temporary Tax Cut to Stimulate Consumption

The pace of our economic recovery will depend a great deal on the strength of consumer demand. To encourage consumer spending and strengthen confidence, I have decided to implement a temporary program of retail sales tax exemptions for selected items.

I propose a 90-day exemption from retail sales tax on purchases of new household furniture and appliances. A detailed list of exempt items is included in Appendix A to this Statement.

This tax relief will prompt consumers to accelerate spending decisions and will have a positive impact on important sectors of the economy. By targetting narrowly on products with high Canadian content, the greatest gains in production and employment can be achieved.

I estimate that this initiative, which will begin midnight this evening and extend to August 8, 1983, will save consumers some $55 million in this fiscal year.

Creating Jobs and Training Manpower

Mr. Speaker, in addition to this tax cut, I will now announce more direct job-creation measures and new initiatives for manpower training.

Direct Job Creation

Members will recall that last May I introduced over $170 million in short-term job-creation initiatives. These programs provided temporary jobs for nearly 45,000 Ontario citizens. In November, I announced two additional programs. Ontario committed $50 million for its own program to stimulate employment, over a short term. We also agreed to cooperate with the federal government, creating the COED program. Our $100 million was added to an equal federal commitment to make $200 million. Private sector, municipal and non-profit groups have quickly taken advantage of these monies. To date, 1,800 projects, which will create over 15,000 temporary jobs, have been approved.

In his recent budget, the federal Minister of Finance said that more funds would be allocated to job-creation programs. I am prepared to provide Provincial funds to match a new commitment to the COED program by the federal government.

Accelerated Capital Works

Mr. Speaker, I would now like to announce another new job-creation initiative. It is an accelerated capital works program involving $247 million worth of projects which will create 12,000 jobs. The projects have been advanced from the longer-range plans of ministries so that they can proceed now, while the economy needs additional stimulus. Construction will take place over the next two years. In some cases, local governments will contribute a portion of the funding. This capital works program, which is targetted primarily to regions of the province with higher levels of unemployment, will be coordinated by BILD. Details will be announced over the next few weeks by my colleagues.

1983 CAPITAL ACCELERATION PROGRAM
($ million)

	Total Project Cost	Provincial Share
Agriculture	8.4	8.4
Colleges	14.5	14.5
Schools	23.3	17.0
Universities	17.5	17.2
Roads	44.5	33.1
Water and Sewerage	58.7	7.9
Jails and Courts	23.0	23.0
Homes for the Aged	8.3	5.3
Health	19.3	16.8
Tourism and Parks	8.3	8.3
Other	21.0	16.0
Total	246.8	167.5

Youth Employment

Youth employment has for many years been a priority of this Government. In 1982, our programs provided temporary jobs for 75,000 young people. I have decided to increase the 1983 allocation for youth employment by $36 million to bring the total for this year to $121 million. This will provide 100,000 jobs for Ontario's youth.

As part of this expansion, I am allocating $25 million for a new Accelerated Youth Employment Program. It will provide a wage subsidy of $100 per week for up to 20 weeks to employers who add unemployed young people to their payrolls. A portion of the expenditure will be targetted to recent graduates of post-secondary institutions. I anticipate that this new program will create 12,500 jobs.

YOUTH EMPLOYMENT PROGRAMS: 1983-84

	Funding	Jobs
	($ million)	
Ontario Youth Employment Program	30.4	55,000
Ontario Career Action Program	17.8	13,200
Summer Experience Program	12.0	9,200
Winter Experience Program	4.8	1,800
Junior Rangers	5.0	1,700
Summer Replacement and Co-op Students	24.9	6,900
Accelerated Youth Employment Program	25.0	12,500
Other Special Programs	1.1	400
Total	121.0	100,700

Manpower Training

I turn now to the important issue of manpower training. Earlier, I announced measures to create long-term employment opportunities through initiatives to encourage investment and to stimulate productivity growth. Equipping our people with appropriate skills makes a major contribution to economic development and to productivity improvement; more important, it gives individuals the opportunity to pursue productive and rewarding employment.

I have decided to allocate a further $14 million to BILD this year to expand skill-development programs in Ontario. Existing programs will be supplemented and funding will be provided for new programs to encourage employers to accelerate their hiring plans and to create new jobs and training opportunities. I am pleased to note that one of these programs will be of particular benefit to women interested in entering technical occupations.

Further details of these new manpower training initiatives will be announced by my colleague, the Honourable Bette Stephenson, the Minister of Colleges and Universities.

ONTARIO'S 1983 NEW SHORT-TERM JOB-CREATION PROGRAMS

	Funding	Temporary Jobs
	($ million)	
Youth Employment Enrichment	36.3	28,000
Manpower Training Enrichment	14.0	9,100
Co-operative Projects Employment Fund	10.0	3,200
Canada Ontario Employment Development	80.0	19,000
Supplementary Employment Stimulation	20.0	4,700
Capital Projects Acceleration (first-year cash flow)	82.0	12,000
Total	242.3	76,000

Rental Housing

I turn now to the housing sector. The Ontario Renter-Buy Program, introduced in my 1982 Budget, proved very successful in promoting new home purchases and creating rental unit vacancies. Over 15,000 new home buyers will have received assistance under the program, with a total Provincial commitment of more than $75 million. This program made a major contribution to the recovery in the housing sector.

I expect this momentum to continue in 1983, as new starts are encouraged by lower mortgage interest rates and improving economic prospects. The preliminary data for the first quarter of 1983 are very encouraging and support a forecast of 53,000 new housing starts for the year, an increase of 38 per cent over the 1982 level.

While I am encouraged by these indications, I believe that we need to provide a degree of stimulus in the rental sector. Therefore, I am proposing this afternoon a $40-million stimulative package aimed at creating and improving the stock of rental accommodation in the province. This new initiative will assist in the rehabilitation and construction of over 5,000 units, representing 12,000 jobs in construction and related activities. I expect that the full amount will be committed this year and cash flow for 1983-84 will be $16 million. The details of this program will be announced by my colleague, the Honourable Claude Bennett, the Minister of Municipal Affairs and Housing.

FUNDING BENEFICIAL PUBLIC PROGRAMS

1983-84 Expenditures

Before turning to our revenue requirements for this year, I would like to review briefly some highlights of our expenditure program for 1983-84.

In these difficult times, one of our highest priorities must be to provide our people with a sense of security about the availability of fundamental programs that provide support to the individual and the family. In 1983-84, $10 billion will be spent on health care and social services, well over $1,000 for each citizen.

We will introduce improvements to treatment centres for physically handicapped children in a number of communities throughout Ontario. Almost 500 new beds will be opened for the aged and chronically ill. Last fall, we introduced a special program costing almost $70 million to provide additional social assistance through 1983-84 to people most severely affected by the recession.

Our total spending on education this year will be $5.5 billion, an average of about $1,800 for each young person in our province. In recognition of the increasing importance of computers in society, the Ministry of Education is working with school boards to provide software packages for use in elementary and secondary schools. There are now about 7,000 microcomputers in publicly-supported schools in Ontario.

New capital spending on our educational system will be $116 million this year. This will emphasize our priority on technological training with expansions or new facilities in Sault Ste. Marie, Oshawa and Guelph. The Province has also decided to proceed with the Natural Resources Centre at the University of Toronto.

In special education programs, the Province has increased funding by 16 per cent to $260 million in 1983-84. Last fall, a third demonstration school for children with severe learning disabilities was opened. To provide assistance to students, funding for the Ontario Student Assistance Program will be increased by $9.6 million to $119.4 million in 1983-84. This program helps approximately 90,000 students in the province every year.

In response to the growing demands on public transit, the Government announced in October 1982 its commitment to proceed with stage one of the extensions of GO transit rail services, east from Pickering to Oshawa and west from Oakville to Hamilton.

As part of the Government's long-term strategy to preserve and develop our natural resources, the Ministry of Natural Resources will sign eight new forest management agreements this year. The Ontario Mineral Exploration Program is expected to generate $30 million of exploration activity in 1983-84. To date, more than 450 mineral exploration assistance projects have been designated, representing some $90 million in exploration expenditures. This program has already created 2,000 new jobs, as well as making a major contribution to the important gold discoveries at Hemlo and Sturgeon Lake.

This Government will continue to improve access to our resources with the building and opening up of over 1,800 kilometres of access roads in the north during the coming year. In 1983-84, norOntair will provide scheduled service to 21 Northern Ontario communities with nine aircraft covering an estimated 1,564,000 miles. The Ontario Northland Transportation Commission's rail and ferry program will provide services to over 380,000 passengers during 1983-84.

The Province will expand its efforts to promote exports of Ontario products this year. The allocation for the programs of the Ministry of Industry and Trade will be increased by 15 per cent. However, because of the $76 million payment in 1982-83 to meet our commitment for the Massey-Ferguson assistance plan, the actual dollar estimates of the Ministry will be lower this year.

BILD

Since it was created two and a half years ago, the Board of Industrial Leadership and Development has devoted $407 million to support economic development. Over 80 new programs and initiatives have been funded.

In 1983-84 BILD will:

- invest over $50 million in the recently-established centres for the promotion of new technologies and advanced applied research, including six technology centres, the IDEA Corporation, the Fusion Fuel Technology Project and the Allelix Biotechnology Company;

- provide the universities and community and agricultural colleges with $21 million worth of high-technology equipment and training support; and

- direct over $40 million to initiatives in the agricultural, forestry and mineral sectors to upgrade resources, intensify renewal efforts and promote technological advancement.

I have now outlined special job-creation measures and some highlights of our overall expenditure program. Mr. Speaker, another of the great strengths of this province is the reputation of its Government for good financial management. We intend to continue to meet our responsibilities to existing and future citizens. Accordingly, the bulk of the stimulation program that I announced earlier must be financed by revenue increases which I shall now discuss.

OHIP Premiums

Before discussing tax measures, Mr. Speaker, let me turn to OHIP premiums. The Province of Ontario commits over 32 cents out of every spending dollar to health care. This fact alone means that even modest percentage increases in health spending can create significant revenue requirements. While OHIP premiums provide an important source of funds, the growth of health-care expenditures has outstripped premiums in recent years. Five years ago, they paid for 23 per cent of health spending and this declined to 19 per cent in 1982-83.

Last May, I released a paper which examined the possibility of addressing part of this problem by replacing OHIP premiums with a payroll tax. I have received a number of briefs concerning this paper, most of which expressed doubts about the wisdom of introducing a new payroll tax. I intend to heed this advice and I do not intend to proceed with any further study or discussion of the payroll tax concept at this time.

This year, premiums occupy a unique place in our revenue structure because they are an administered price and, therefore, are subject to the Provincial restraint program. While this program allows for cost pass-through, and therefore a double-digit premium increase could be justified, I believe that the overall credibility of the Inflation Restraint Program could be harmed if I permitted such an increase to go through. Consequently, I decided to restrain the increase in OHIP premiums to five per cent this year.

This modest monthly increase of $1.35 for single persons and $2.70 for family coverage will yield $60 million in additional revenues. I need not remind the Members that 70 per cent of OHIP premiums are paid by employers.

Alcohol and Tobacco

I also propose that additional revenues be obtained from beverage alcohol by increasing the retail sales tax from 10 per cent to 12 per cent on purchases of beverage alcohol at retail stores. Purchases at licensed establishments will remain taxable at 10 per cent. This increase will be effective May 24, 1983. It is estimated that $31 million in additional revenue will be generated from this measure, with price increases amounting to about 20 cents per bottle on average-priced spirits, 10 cents per bottle on popular wines and 15 cents per case of 12 bottles of beer.

I am also proposing to increase revenue from the taxation of tobacco. First, I am proposing that the ad valorem tobacco tax rate be increased from 40 per cent to 45 per cent for cigarettes and cut tobacco. Second, a seven per cent Ontario retail sales tax will be applied to all tobacco products. The retail sales tax will be levied in addition to the tobacco tax and will be applied to the retail selling price inclusive of such tax. This will mean that the taxation of tobacco products is more consistent with our treatment of alcohol. I anticipate that these measures, effective midnight tonight, will raise additional revenues of some $135 million.

Corporations Income Tax

Mr. Speaker, I now turn to the corporations income tax. As a paper accompanying this Budget shows, Ontario's taxation policies provide a balance between the taxation of individuals and corporations while ensuring that taxes on business are consistent with our economic growth prospects and with the realities of international competition. With this in mind, I have determined that it is fair and affordable for the corporate sector, along with individuals, to help maintain the essential services that our people require.

Therefore, I am proposing that the general rate of corporations income tax be increased from 14 per cent to 15 per cent, while the rate on income from manufacturing and processing operations, mining, logging, farming and fishing be increased from 13 per cent to 14 per cent. This change will apply to taxation years of corporations ending after May 10, 1983, and will generate an additional $70 million of the expected total revenue increase from corporations income tax of $255 million. Small business income, as noted earlier, will continue to be exempt.

Social Services Maintenance Tax

I would like to announce one additional, temporary tax measure which will be necessary to assist in the financing of our public programs and new initiatives to create jobs. Beginning July 1, 1983 and continuing through the 1984 tax year, a five per cent surcharge on Ontario personal income tax will be collected. It will be called the Social Services Maintenance Tax.

Lower-income Ontarians will be protected since the surcharge will apply only to Ontario taxpayers with taxable income in excess of $2,178 this year. As a result, some 500,000 taxpayers will not pay this tax. For those who are affected, the average tax increase amounts to about $1.40 per week. Over two million of these taxpayers will in fact pay less than $1.00 per week in increased income tax. This means that those citizens of Ontario who have jobs will contribute a modest additional amount to ensure that decent public programs and job-creation initiatives are paid for without undue increases in our deficit. This measure will yield $170 million in this fiscal year.

Mr. Speaker, details of the tax measures I have announced this afternoon, as well as a number of additional retail sales tax changes of a technical nature, can be found in Appendix A to this Statement. Legislation to enact these measures will be brought forward by my colleague, the Honourable George Ashe, the Minister of Revenue.

ECONOMIC OUTLOOK

Now that I have outlined the major actions of this Budget, let me move to my forecast for the Ontario economy.

As I said earlier, there are encouraging indications of economic recovery. Inflation has decelerated significantly since the middle of 1982. Public sector wage and price restraint and a favourable outlook for food and energy prices will cause this trend to continue. Industrial production has risen in the latest two months for which data are available. Interest rates are at their lowest levels in three years and seasonally-adjusted employment in Ontario has increased by 24,000 since the low point of last November.

Real growth in Gross Provincial Product should average 1.9 per cent for 1983. While modest by historical standards, this is a massive improvement from last year. Employment will be on an upward trend through the year. I expect that the number of people employed in Ontario by the fourth quarter of 1983 will be 65,000 above the level in the fourth quarter of 1982. The Consumer Price Index is forecast to increase by 6.6 per cent, the lowest annual increase since 1972. A more detailed discussion of the economic outlook is presented in Appendix B.

INFLATION RESTRAINT PROGRAM

Mr. Speaker, last fall I introduced the legislation required for the Inflation Restraint Program which is a key element in our efforts to foster economic recovery. This program was essential. The private sector, already hard-hit by the recession, could not be expected to pay for unwarranted growth in government expenditures.

During these difficult times, the program holds the costs of government down in two ways. First, compensation increases are limited for over one-half million employees in the broadly-defined provincial public sector. Second, restrictions are placed on increases in prices set or directly authorized by Ontario ministries or agencies.

By keeping its own house in order, the Ontario Government has made an important contribution to the reduction of inflation, both directly through cost and price restraint and indirectly by providing leadership to others. In this manner, the restraint program has made a constructive contribution to the moderation in the rate of inflation. This moderation is expected to continue over the next year; unit labour cost increases have decelerated and, as I indicated, the inflation outlook is favourable.

While the measures contained in this Budget will help to restore economic prosperity, much remains to be done. Ontario's job losses over the past couple of years have been high and unemployment has risen to completely unacceptable levels. Ontario's public sector workers largely have been sheltered from these events. In part, this is due to the design of our restraint program. When it became necessary to make an extraordinary effort to hold costs down, the choice was made to preserve employment by placing limits on wage increases, rather than requiring major layoffs. I might also point out that with declining inflation a five per cent wage increase is not that bad.

Looking ahead, fiscal realities make it essential to continue to constrain government expenditures. Wage demands in the public sector must continue to moderate. Otherwise, it may simply not be possible to maintain the degree of job security in the future that has been provided to date. Public agencies, municipalities, boards of education, universities, colleges and hospitals -- indeed, all bodies financed largely through tax dollars -- must be expected to show restraint in their compensation plans. Recipients of Provincial funds should not anticipate future increases at levels above, or even at, the rate of inflation.

Mr. Speaker, I should also note that restraint is not a matter for the public sector alone. Recovery will require everyone, private or public sector, to restrain their demands for higher wages and prices.

Program Review

Nor can our efforts to constrain government spending be limited to wage restraint. We need to examine carefully all aspects of our expenditures to determine where further savings can be found and efficiency improved. While Ontario's record in holding the line on government expenditure is well known, we intend to redouble our efforts. To do this, we have created a formal program review process to examine all Provincial programs to see where savings can be achieved.

As part of this review, each ministry will undertake a thorough reassessment of its programs and priorities and recommend to Cabinet where expenditures can be reduced. This exercise will apply to all ministries, including my own. In this regard, I have questioned the usefulness of continuing the Ontario property tax credit now that comprehensive property tax reform has been postponed indefinitely and local taxes account for a lower percentage of personal income than they did in the early 1970s.

CANADA PENSION PLAN

Before concluding, I would like to discuss briefly the Canada Pension Plan.

As Treasurer, I must constantly balance the desirability of increasing social benefits with the need to ensure that such increases are not only adequately financed, but also delivered through the most appropriate vehicle. These concerns have influenced our reaction to proposals to amend the Canada Pension Plan and explain why the Government of Ontario has not ratified the so-called "Child-Rearing Drop-Out" amendment.

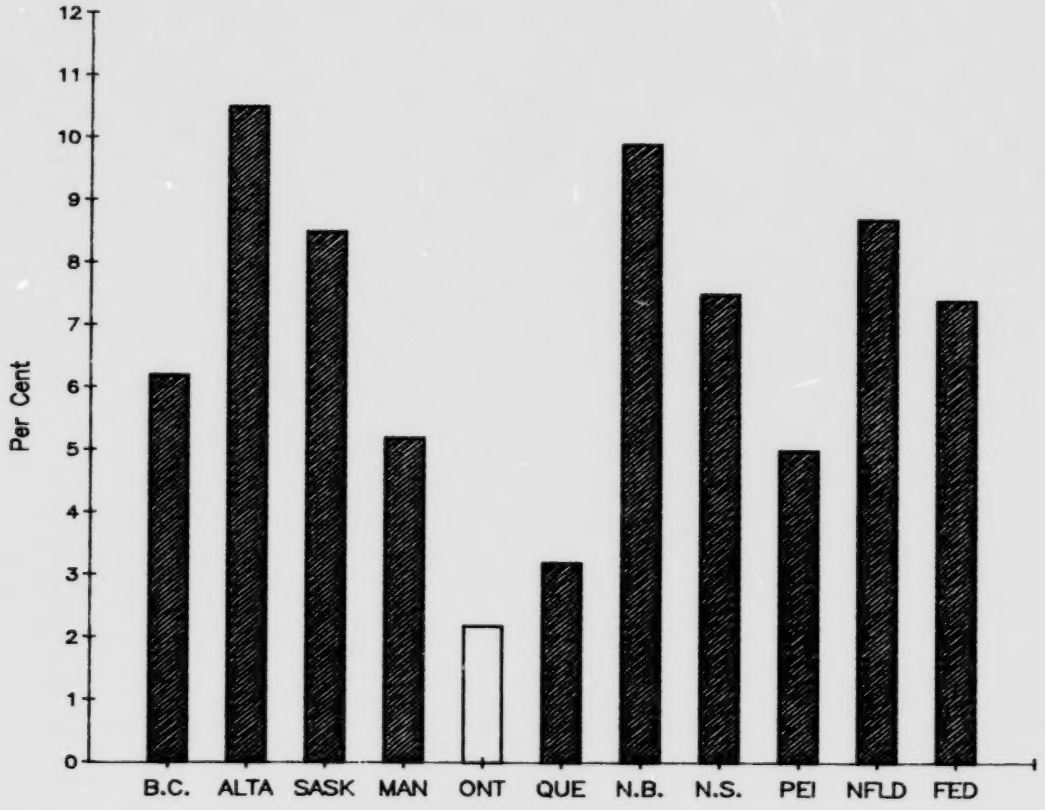
However, it is clear from the many representations that have been made to the Government, particularly from the Ontario Status of Women Council, that the drop-out amendment has the widespread approval of people across Canada. Because of this fact, and with the desire to promote a spirit of goodwill in the pension reform process, the Government of Ontario will set aside its long-standing reservations and will remove its veto of the CPP drop-out amendment. Tomorrow, I will initiate the process of formally notifying the federal government of Ontario's decision. Later this year, the new Minister with responsibility for women's issues will elaborate further on pension reform measures that will be beneficial to women.

FINANCIAL WRAP UP

Mr. Speaker, let me now conclude this Budget by summarizing our financial position.

A brief review of the past fiscal year again shows this Government's sound financial stewardship. The record shows that our actual expenditures and revenues were both within 0.7 per cent of the original Budget estimates that I tabled last May. We accomplished this during one of the most difficult years in the post-war era. This kind of management record is second to none. Moreover, in 1982-83, our deficit in relation to output was the lowest of any province in Canada.

CASH REQUIREMENTS AS A PER CENT OF OUTPUT: 1982-83



During the course of the previous year, we responded to the many economic and social pressures with in-year expenditure increases of $728 million. These were financed mainly by $562 million in offsets from existing programs. As a result, total expenditures went up by $166 million, or less than one per cent. This enviable expenditure management record was achieved by my colleague, the Honourable George McCague, the Chairman of Management Board.

In 1982-83, we allowed cash reserves to decline rather than borrow at record-high interest rates. These reserves will be replenished through an orderly borrowing program in a market that now has more advantageous rates. The recession also had a considerable impact on Government revenues, but overall, our revenues were within $150 million of the original forecast. Details of our financial accounts and in-year changes are presented in Appendix C.

In the 1983-84 fiscal year, total Provincial revenue is estimated to grow by 7.9 per cent to more than $22 billion. This revenue performance reflects both the forecast upswing in economic activity and the revenue measures which I have announced. Provincial spending is expected to grow by 7.7 per cent to $24.7 billion in the current fiscal year. This rate of growth is below that projected for Gross Provincial Product.

I have outlined certain revenue measures and the program review process that we have set in place to find ways of further improving government efficiency. Also, I have indicated that, last year, we were able to find significant in-year savings. This year, I am setting a target now of $300 million of in-year expenditure savings yet to be identified. In other words, Mr. Speaker, I believe that our total expenditures can be reduced by $300 million, and this has been incorporated into our net cash requirements projection. These savings are essentially applied to the job-creation programs described earlier.

ONTARIO'S 1983-84 FISCAL PLAN
($ million)

	Interim 1982-83	Estimated 1983-84	Year-to-Year Change	
				(Per Cent)
Revenue	20,395	22,015	+1,620	+7.9
Expenditure	22,943	24,710	+1,767	+7.7
Net Cash Requirements	2,548	2,695	+147	+5.8
Financing:				
Non-Public Borrowing (net)	2,097	2,080		
Public Borrowing				
Treasury Bills/ Debenture Issues	-	1,000		
Retirements	-46	-267		
Increase in Liquid Reserves	-497	118		
Total Financing	2,548	2,695		

I estimate net cash requirements for 1983-84 to be $2,695 million. When this deficit is projected in relation to Gross Provincial Product it will be lower than last year's level. It will be financed with $2,080 million from non-public sources with the balance from public capital markets. Of the projected $1 billion to be borrowed publicly, $267 million will be used to retire maturing debt and $118 million will be used to augment the Province's liquid reserves. Further details of our fiscal plan are appended to this Statement.

CONCLUSION

In conclusion, Mr. Speaker, I am confident that the policies in this Budget will assist the Ontario economy on its path to recovery and longer-term prosperity.

- This Budget fosters federal-provincial cooperation.
- It holds the increase in Government spending below the growth rate of the economy.
- It stimulates business investment and job creation.
- It holds the deficit in check.
- It limits OHIP premiums to a five per cent increase.
- It accelerates $247 million in new capital works.
- It creates 100,000 jobs for youth this year.
- It initiates measures to improve manpower training.
- It helps young farmers and renters.
- It provides an immediate tax incentive for the purchase of appliances and furniture.

Mr. Speaker, this Budget continues to build upon our record of rock-solid financial stewardship.

It is a Budget that will create many jobs.

It is a Budget that will assist the restoration of growth and prosperity in our beloved Ontario; a province that will long continue to profit from the leadership of the Honourable William G. Davis.

APPENDIX A
BUDGET MEASURES

Appendix A1
DETAILS OF TAX CHANGES

The purpose of this section is to provide a more detailed description of the tax changes outlined in the Budget Statement. This is a concise summary only, and the reader is advised to consult the statutes for exact information.

INCOME TAX ACT

Social Services Maintenance Tax

A temporary personal income tax surcharge will be levied in 1983 and 1984.

- For the 1983 taxation year, the surcharge will be 2.5 per cent of Basic Ontario Income Tax in excess of $110.80. This will be reflected by a 5 per cent increase in the Ontario component of total tax withholdings as of July 1, 1983.

- For the 1984 taxation year, the surcharge will be 5 per cent of Basic Ontario Income Tax in excess of $110.80.

Ontario Income Tax Rate

- The rate of Ontario personal income tax levied under the Income Tax Act will remain at 48 per cent for the 1983 taxation year.

Ontario Tax Reduction

- For purposes of the Ontario Tax Reduction, the prescribed taxable income level below which no Ontario tax is payable is $1,986 for 1983. The level above which no reduction is available is $2,178.

All enquiries regarding personal income tax changes should be directed to:

Taxation Policy Branch
Ministry of Treasury and Economics
Parliament Buildings
Queen's Park
Toronto, Ontario
M7A 1Y7

(416) 965-5738

CORPORATIONS TAX ACT

Income Tax Rate Increase

- The general rate of corporations income tax will be increased from 14 per cent to 15 per cent.

- The rate on income from manufacturing and processing operations, mining, logging, farming and fishing will be increased from 13 per cent to 14 per cent.

- These changes will apply to taxation years of corporations ending after May 10, 1983. For taxation years that include May 10, 1983, the tax increase will be prorated on the basis of the number of days subsequent to May 10, 1983.

Extension of Income Tax Exemption for Small Business

- The two-year suspension of Ontario corporations tax on income eligible for the small business deduction under subsection (1) of section 125 of the Income Tax Act (Canada) will be extended for one year.

- This extension will apply to the taxation year of corporations ending after May 13, 1984 and before May 14, 1985.

- The tax that would otherwise have been payable during the exempt period should be taken into account in calculating the tax instalments payable for the taxation years following the three-year exemption.

Temporary Capital Tax Relief for "Loss" Corporations

- In lieu of the regular capital tax rate, a flat tax of $100 will apply to corporations with taxable capital before allocation to Ontario in excess of $1,000,000 and up to $2,000,000 if, in the taxation year, the corporation has a zero or negative taxable income for Ontario tax purposes before deducting the following:

  - capital cost allowances (including terminal loss);
  - allowance for purchased goodwill;
  - depletion allowances;
  - resource allowances;
  - three per cent inventory allowance; and
  - loss carry-overs, donations or intercorporate dividends.

- This change will apply to any two taxation years of corporations ending after May 10, 1983 and before May 11, 1985.

Loss Carry-Over Provisions

- The changes proposed in the federal budget of April 19, 1983 concerning the extended deduction of losses will be paralleled in the Ontario Corporations Tax Act. For non-capital losses, the carry-back period will be extended from one year to three years and the carry-forward period will be extended from five years to seven years. The one-year carry-back applicable to net capital losses is to be increased to three years. The changes will be phased in as outlined in the April 19, 1983 federal budget.

Personal Services Businesses

- The tax treatment of personal services businesses introduced by the federal government in Bill C-139 will apply.

All enquiries regarding corporations tax changes should be directed to:

Corporations Tax Branch
Ministry of Revenue
P.O. Box 622
33 King Street West
Oshawa, Ontario
L1H 8H6

(416) 433-6513

RETAIL SALES TAX ACT

Expansion of the Exemption for Production Machinery and Equipment

- The exemption for machinery and equipment purchased by manufacturers and producers will be broadened to parallel the exemption for production machinery and equipment under the Excise Tax Act (Canada).

Effective: May 11, 1983.

Temporary Exemption for New Residential Furniture

- The 7 per cent tax will be withdrawn on new residential furniture purchased prior to August 9, 1983 and delivered from May 11, to November 7, 1983, inclusive.

- New residential furniture eligible for exemption from tax is furniture of the type usually acquired to furnish a residential dwelling.

- Examples of eligible items of furniture are:

  - beds
  - bed springs
  - blinds
  - bookcases
  - buffets
  - cabinets
  - chairs
  - chesterfields
  - chests
  - curtains
  - drapes
  - dressers
  - floor coverings
  - hutches
  - mattresses
  - sofas
  - stools
  - tables

- The exemption does not apply to certain types or classes of household items, including:

  - lamps, home entertainment units (for example, televisions or radios) and fireplaces;
  - works of art, handicrafts, trinkets, mirrors, wall coverings, clocks and objects used for decoration, recreation or games;
  - musical instruments;
  - used furniture;
  - furniture acquired by lease or rental;
  - furniture repairs; and
  - office furniture.

Effective: May 11, 1983.

Temporary Exemption for Certain New Major Household Appliances

. The 7 per cent tax will be withdrawn on certain new major household appliances delivered from May 11, to August 8, 1983, inclusive.

Eligible Appliances

. New household appliances eligible for exemption from tax are electric or gas ranges, refrigerators, freezers, dishwashers, clothes washers and clothes dryers, provided that they are designed for residential use.

Ineligible Appliances

. All household appliances not listed above, including:

- microwave and convection ovens;
- used appliances;
- appliances designed for commercial use; and
- appliances acquired by lease or rental.

Effective: May 11, 1983.

Exemption Eliminated on Tobacco Products

. The exemption for tobacco products will be withdrawn and tax will apply at the rate of 7 per cent.

. The tax will be calculated on the retail selling price inclusive of taxes applicable under the Tobacco Tax Act.

Effective: May 11, 1983.

Tax Rate Change on Beverage Alcohol Sold at Retail Outlets

. The tax rate on beverage alcohol sold through Liquor Control Board of Ontario stores, Brewers' Warehousing outlets and breweries' own stores, and wineries' own stores will be increased from 10 per cent to 12 per cent.

. The tax rate on beverage alcohol sold at licensed establishments will remain at 10 per cent.

Actual price increases for individual products will be announced by the Liquor Control Board of Ontario.

Effective: May 24, 1983.

Exemption for Certain Transportation Vehicles and Equipment

. The 7 per cent tax will be withdrawn on the following transportation vehicles and equipment:

- highway truck tractors with a gross vehicle mass rating of 11,778 kilograms or more;
- trucks designed for the carriage of freight with a gross vehicle mass rating of 11,778 kilograms or more; and
- truck trailers, tractor trailers and semi-trailers designed for the carriage of freight with a gross vehicle mass rating of 11,778 kilograms or more.

Effective: May 11, 1983.

Extension of Tax Relief for Non-Conventional Fuel Powered Vehicles

. A full rebate of tax paid will be available on vehicles required to be licensed under the Highway Traffic Act that are converted to be powered by a non-conventional fuel within 30 days of their purchase. The rebate will be available to purchasers taking delivery of eligible vehicles on or after May 11, 1983.

Effective: May 11, 1983.

Increased Exemption for Admission to Places of Amusement

. The exemption from tax on the price of admission to places of amusement will be increased from $3.50 to $4.00.

Effective: May 11, 1983.

Exemption for Educational Publications

. The 7 per cent tax will be withdrawn on audio and video educational publications purchased for use by schools, school boards, universities and public libraries.

Effective: May 11, 1983.

Exemption for the Canadian Maple Leaf Gold Coin

- The 7 per cent tax will be withdrawn on the Canadian Maple Leaf gold coin and other gold coins as may be prescribed by the Minister of Revenue.

Effective: May 11, 1983.

Refund Adjustment of Tax Paid on Goods Taken Out of Ontario

- The provision for a refund of tax paid on tangible personal property taken out of the province within 30 days will be limited to purchases totalling $100 or more.

- This change will apply to purchases made on or after May 11, 1983.

Effective: May 11, 1983.

All enquiries regarding retail sales tax changes should be directed to:

Retail Sales Tax Branch
Ministry of Revenue
P.O. Box 623
33 King Street West
Oshawa, Ontario
L1H 8H7

(416) 433-6322

or

the nearest Retail Sales Tax District Office. For telephone enquiries in Toronto call (416) 487-1361.

TOBACCO TAX ACT

Tax Rate Changes

- Cigarettes and cut tobacco will be taxed at the rate of 45 per cent of their retail prices as determined by the Minister of Revenue.

- The tax rate on cigars remains at 45 per cent.

Effective: May 11, 1983.

Inventories

- Wholesalers will be required to declare their cigarette inventories as of the close of business May 10, 1983, and to remit tax on such inventories as directed by the Ministry of Revenue.

All enquiries regarding these tobacco tax changes should be directed to:

Motor Fuels and Tobacco Tax Branch
Ministry of Revenue
P.O. Box 625
33 King Street West
Oshawa, Ontario
L1H 8H9

(416) 433-6340

Appendix A2

SMALL BUSINESS DEVELOPMENT CORPORATIONS

The following amendments will be made to the Small Business Development Corporations Act and Regulations:

- The limit on the number of full-time employees allowed for a small business to be eligible for an investment by an SBDC will be increased from 100 to 150. In addition, the small business will remain an eligible investment until such time as the number of employees exceeds 300, in which case the SBDC investment in that business will cease to be eligible after five years.

- The application of the SBDC program will be changed by imposing a limit of $5 million on the total allowable investment by any number of SBDCs in any one small business. This will apply to private and public SBDCs.

- The exclusion of the production of animated films and video tapes from the definition of eligible manufacturing and processing activities will be removed.

- The definition of an eligible pension fund will be amended to include a limited partnership, where the general partner is a corporation not eligible to receive a grant under the present regulations. In this case, the general partner must waive any interest in the incentive payable to the partnership.

- The implications of the federal Special Recovery Share-Purchase Tax Credit, announced in the April 19, 1983 federal budget, will be reviewed in order to determine the likely effect on the SBDC program.

Effective: May 11, 1983.

All enquiries regarding SBDC changes should be directed to:

Taxation Policy Branch
Ministry of Treasury and Economics
Parliament Buildings
Queen's Park
Toronto, Ontario
M7A 1Y7

(416) 965-6869

or

SBDC Program
Ministry of Revenue
P.O. Box 625
33 King Street West
Oshawa, Ontario
L1H 8H9

(416) 433-6330

Appendix A3

THE ONTARIO HEALTH INSURANCE PLAN

Premium Increase

. Ontario Health Insurance Plan premiums will be increased from the current single and family certificate rates of $27 and $54 per month, to $28.35 and $56.70 per month, respectively.

Effective: for premiums in respect of benefit months beginning September 1, 1983.

Premium Assistance

. Premium assistance limits will continue as follows:

(a) Free Coverage
- single persons having taxable incomes of $3,000 or less;
- families having taxable incomes of $3,500 or less.

(b) 75 per cent Premium Reduction
- single persons having taxable incomes between $3,000 and $3,500;
- families having taxable incomes between $3,500 and $4,500.

(c) 50 per cent Premium Reduction
- single persons having taxable incomes between $3,500 and $4,000;
- families having taxable incomes between $4,500 and $5,000.

(d) 25 per cent Premium Reduction
- single persons having taxable incomes between $4,000 and $4,500;
- families having taxable incomes between $5,000 and $5,500.

. Pensioners and social assistance recipients will continue to be eligible for free OHIP coverage.

All enquiries regarding the Ontario Health Insurance Plan should be directed to the nearest OHIP office or to:

Enrolment Services Branch
OHIP Interim Head Office
310 Bagot Street
Kingston, Ontario
K7K 3B5

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THE ECONOMIC OUTLOOK

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APPENDIX B

THE ECONOMIC OUTLOOK

Ontario's economy began to recover in the first quarter of 1983 following six consecutive quarters of economic contraction. Recent production and employment increases and a resumption of the downward movement of interest rates all point to a return to real economic expansion.

The inflation outlook has also improved. As a result of slower increases of unit labour costs and a favourable outlook for food and energy prices, CPI inflation is likely to decline from 10.8 per cent in 1982 to 6.6 per cent in 1983.

Positive real growth rates will be achieved in every quarter of 1983. The growth sectors in the recovery are expected to be consumption, trade and housing. However, by historical recovery standards, growth will probably be modest in these sectors. The run-down of business inventories, which played a large part in last year's downturn, is likely to be reversed and add significantly to growth in 1983. However, a further reduction in the level of business investment in fixed capital is anticipated.

Employment growth will accelerate through the year. Since last November's low point, seasonally-adjusted employment has risen by 24,000. However, the average level of employment for the year is not expected to exceed the 1982 average level. Consequently, the average unemployment rate for 1983 is likely to be 11.7 per cent.

Output

Real Gross Provincial Product is forecast to grow 1.9 per cent in 1983.

The consumer sector in Ontario is expected to make a contribution to the economic recovery in 1983. The positive effects of Ontario's temporary tax cuts, falling interest rates, slowing inflation, and improving employment will be offset to some degree by other influences such as high real interest rates. Real interest rates are the difference between nominal interest rates and expected inflation.

Although savings rates will remain high and consumers will be careful about borrowing, on balance, it appears that a cautious consumer sector will increase expenditures. Real consumer spending will increase by 1.9 per cent in 1983, a lower rate than in most previous recoveries. Retail sales -- which increased 5.3 per cent in 1982 -- are expected to grow by 7.4 per cent in 1983, with a sustained pick-up expected to begin in the second quarter. In real terms, because 1983 inflation is expected to be much lower than in 1982, this represents a significant improvement.

The trade sector will continue to be one of the bright spots in the economy in 1983. While import spending will pick up slightly as the economy recovers, export growth will be stronger, stimulated by the slow but steady expansion of the U.S. economy.

Following last year's downturn, housing is expected to pick up in 1983. The recovery this year will be assisted by the turnaround in interest rates and employment. In addition, Provincial housing incentives and those announced in the recent federal budget should further boost residential construction. Ontario housing starts are forecast to be 53,000 in 1983.

After three exceptionally strong years, business investment declined sharply in 1982. Because of the current weak corporate financial situation, increased cash flow in the early stages of the recovery will be used to retire debt. As well, the low capacity-utilization rates indicate that firms have substantial room to raise production before additional investment becomes desirable. As a result, the downturn of investment is expected to continue throughout 1983, although Ontario and federal budget actions to stimulate investment will help to improve the outlook somewhat.

Employment

Employment declined by 108,000 in 1982. By April 1983, however, seasonally-adjusted employment had risen by 24,000 from the November 1982 low. It is likely that the number of employed will rise during the remainder of the year, with employment in the fourth quarter of 1983 exceeding that in the fourth quarter of 1982 by about 65,000. Nevertheless, because the pattern of 1982 job loss lowered the employment starting point for the recovery, average annual 1983 employment is likely to be below the 1982 average. The unemployment rate is projected to be 11.7 per cent, in part reflecting strong labour force growth as job opportunities increase with the recovery.

Prices

The impact of the recession coupled with falling interest rates and the introduction of government wage restraint programs in mid-1982 have resulted in a substantial easing of inflationary pressures. Since its 11.8 per cent peak last May, CPI inflation has decelerated in each succeeding month on a year-over-year basis. The annual rate of CPI inflation in March 1983 was 7.2 per cent, 4.4 percentage points lower than last March's 11.6 per cent increase.

The deceleration of inflation will continue in 1983 with the annual rate of increase of the CPI forecast at 6.6 per cent. Canadian energy price increases should moderate substantially throughout 1983, and public sector wage and price restraint should contribute to a climate of lower unit labour cost growth in 1983. Record grain harvests are one of the factors that should contribute to relatively low food price increases.

External Environment

Ontario's economic performance depends critically on developments in the economies of the United States and the rest of Canada. Table 1 presents a summary of the Canadian and United States economic outlooks. Included for comparison is a summary of the Ontario outlook.

ECONOMIC PERFORMANCE IN ONTARIO, CANADA AND THE UNITED STATES: 1982 and 1983
(per cent)

TABLE 1

	Ontario		Canada		United States	
	1982	1983	1982	1983	1982	1983
Real Growth	-5.1	1.9	-4.8	1.8	-1.7	2.4
Inflation (CPI)	10.8	6.6	10.8	6.6	6.1	3.0
Unemployment Rate	9.8	11.7	11.0	12.7	9.7	10.1

Source: Ontario Treasury.

Recovery in both Canada and the United States is expected to be slow but steady. The dominant factor will be the path of interest rates. Easier monetary policy combined with slow growth of private sector credit demand is likely to permit a further reduction of nominal interest rates in the United States.

Canadian interest rates should move in tandem with those in the United States. Canada's strong current account performance should prevent pressure on the Canadian exchange rate and relieve the Bank of Canada from any need to widen interest rate spreads with the United States.

High real interest rates, however, will continue to act as a drag on the economy. Although nominal interest rates have been significantly reduced since mid-1982, the inflation outlook has also improved dramatically, leaving a very high real cost of borrowing.

The main contributors to Canadian GNP growth will be consumer spending, residential construction and trade. As well, a significant portion of growth will reflect a sharp slowdown in the rate at which inventory is reduced. In the United States, the strong sectors of the economy are expected to be consumer spending, residential construction and government defence spending.

Table 2 provides a more detailed outlook for the Ontario economy.

THE ONTARIO ECONOMY: 1981 through 1983 TABLE 2

	1981	1982	1983	81/80	82/81	83/82
		($ billions)			(per cent)	
Total Output						
Gross Provincial Product	126.1	132.4	144.7	13.6	5.0	9.3
GPP (constant 1971 dollars)	51.2	48.6	49.5	3.2	-5.1	1.9
Investment						
Machinery and Equipment	10.1	9.2	9.2	19.0	-8.9	-0.4
Non-Residential Construction	6.2	6.2	5.5	23.2	-0.8	-11.4
Residential Construction	5.2	4.4	5.4	20.1	-15.1	23.2
Other Components of Demand						
Housing Starts - Units (000)	50.2	38.5	53.0	--	--	--
Retail Sales	33.7	35.5	38.2	13.7	5.3	7.4
Exports	43.2	44.0	47.0	10.2	1.8	7.0
Imports	35.4	33.8	34.9	16.6	-4.7	3.4
Income						
Personal Income	108.1	118.6	127.0	16.1	9.7	7.1
Corporate Profits (before taxes)	11.7	7.8	10.8	-6.4	-33.4	38.4
Prices						
Consumer Price Index	--	--	--	12.5	10.8	6.6
Jobs						
Labour Force (000)	4,481	4,519	4,575	2.6	0.8	1.2
Employment (000)	4,186	4,078	4,041	3.0	-2.6	-0.9
Unemployment Rate (% of labour force)	6.6	9.8	11.7	--	--	--

Source: Ontario Treasury.

APPENDIX C
FINANCIAL MANAGEMENT IN ONTARIO

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APPENDIX C
FINANCIAL MANAGEMENT IN ONTARIO

INTRODUCTION

Since 1980, the marked deterioration in world economic conditions has had an adverse impact on most industrialized jurisdictions, including Ontario. However, Ontario has been better positioned than many jurisdictions to respond to the fiscal challenges of the 1980s. The Province's long-standing practice of restraint and efficient management has made the impact of the recession on Provincial finances manageable and enabled Ontario to maintain a high standard of public programs. This appendix examines Ontario's record of fiscal management, both from an historical perspective and in comparison with other jurisdictions.

I FISCAL RECORD

Following the boom years of the early 1970s and the emergence of a world-wide inflationary spiral, Ontario recognized the importance of and need for fiscal restraint in coping with persistent upward spending pressures. The Province pioneered fiscal restraint by introducing a program in 1975 to enhance public service productivity, streamline administrative procedures and implement savings in overhead costs.[1] As a result of the process begun with these actions, Ontario has restrained average expenditure growth since 1975-76 to below the rate of growth in Gross Provincial Product (GPP).

GROWTH IN ONTARIO'S REVENUES, EXPENDITURES AND GPP: 1975-76 TO 1983-84
(average annual per cent)

TABLE 1

Revenues	11.0
Expenditures	10.3
GPP	10.6

[1] Hon. W.D. McKeough, Supplementary Actions to the 1975 Ontario Budget (Toronto: Ministry of Treasury, Economics and Intergovernmental Affairs, 1975).

Table 2 shows that the restraint program undertaken in 1975 had an immediate effect. For five consecutive years, expenditure growth rates were held well below the growth in GPP. In 1981-82 and 1982-83, expenditure growth exceeded the growth in the economy. In part, this reflected an increase of almost $575 million in the level of capital investment over the two years. It also reflected higher interest rates and a higher level of growth in health expenditures to redress inequities created by persistent inflation.

In 1982, the Province took major steps to decelerate this expenditure growth by initiating an inflation restraint program. The impact of this program is evident in the planned level of spending for 1983-84, which will be below the anticipated rate of growth in the province's GPP.

ONTARIO'S GROWTH IN EXPENDITURES AND GPP: 1975-76 TO 1983-84
(per cent)

TABLE 2

	Expenditures	GPP
1975-76	15.1	9.4
1976-77	10.1	14.8
1977-78	8.6	10.6
1978-79	6.4	9.3
1979-80	9.8	12.0
1980-81	9.1	10.2
1981-82	18.0	13.6
1982-83 Interim	12.5	5.0
1983-84 Estimated	7.7	9.3

In the May 1982 Budget, Ontario instituted a program of wage restraint, limiting salary increases for senior management and Provincial Members of Parliament to six per cent. The Inflation Restraint Act introduced in the autumn of 1982 encompassed the entire public sector in Ontario, including municipalities, universities, hospitals and school boards. Although some exemptions were allowed for low-income earners, the Act restricted wage increases to a maximum of five per cent for one year in the period beginning October 1, 1982 and ending September 30, 1983.

Now that the Province has taken actions to alleviate the effects of inflation on its expenditures, it is useful to compare Ontario's finances with those of other provincial jurisdictions and the federal government. In 1983-84, Ontario's expenditures will represent 17.1 per cent of GPP, down from 17.3 per cent in 1982-83.[2] By contrast, spending by the federal government will amount to 23.6 per cent of Gross National Product in 1983-84, up from 23.1 per cent in 1982-83.

[2] As a proportion of Gross Domestic Product, Ontario's expenditures are estimated at 19.4 per cent in 1982-83 as compared with an average 23.9 per cent for the other nine provinces.

A combination of fiscal prudence and a size sufficient to achieve economies of scale has made Ontario's 1982-83 per capita expenditures of $2,637 the lowest among the provinces and the federal government.

In addition to examining various expenditure measures, it is also useful to examine the ability of governments to adapt their fiscal plans to accommodate in-year spending priorities so as to stay within original financial targets. This ability is related to both the accuracy of the original forecasts and tight expenditure management. Most economies have been affected by the economic slowdown over the past 18 months and provincial governments have had to cope with rising expenditure pressures and falling revenues. During 1982-83, Ontario's in-year changes in revenues and expenditures were within one per cent of original targets, a performance that compares favourably with those of other jurisdictions in Canada.

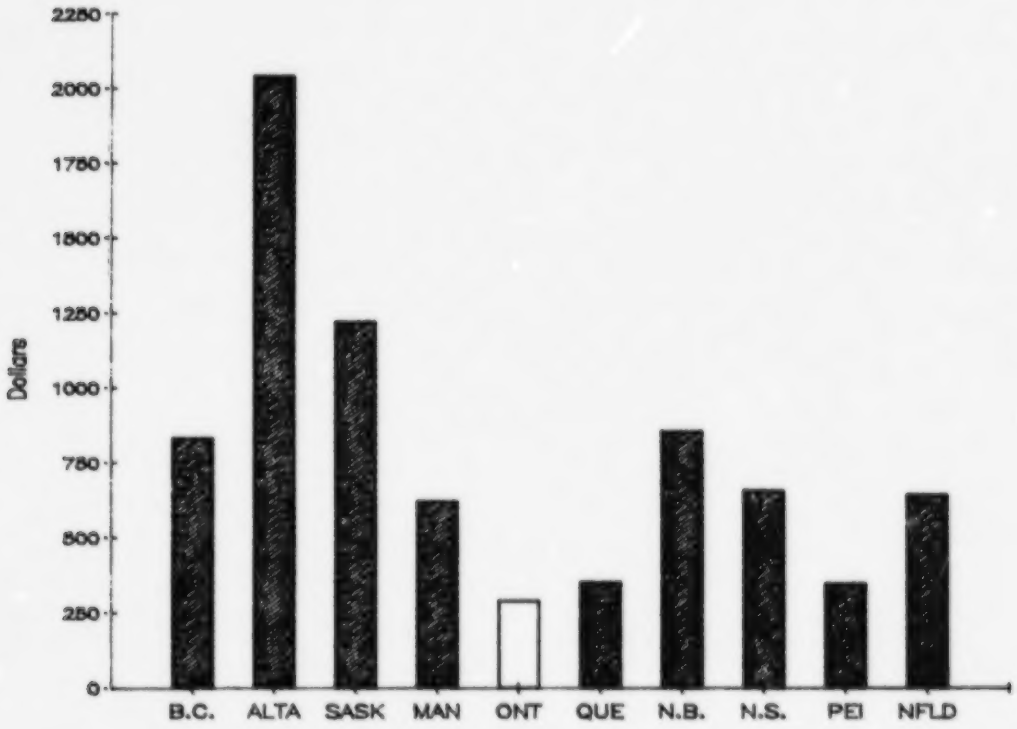
IN-YEAR CHANGES TO BUDGET PLANS: 1982-83[1] TABLE 3

	Change In Budgetary Revenues		Change In Total Expenditures	
	($ million)	(per cent)	($ million)	(per cent)
British Columbia	-794	-10.8	71	0.8
Alberta	-871	-10.9	318	2.8
Saskatchewan[2]	N/A	N/A	N/A	N/A
Manitoba	-119	-4.8	42	1.4
Ontario[3]	**-150**	**-0.7**	**166**	**0.7**
Quebec	-395	-2.0	-190	-0.8
New Brunswick	-69	-3.4	30	1.2
Nova Scotia	-198	-8.5	-16	-0.6
Prince Edward Island[3]	-7	-1.7	4	0.9
Newfoundland	-84	-4.6	-52	-2.4
Federal Government	-10,097	-15.5	4,200	5.5

1 This table compares revised revenue and expenditure forecasts with those originally provided in the 1982-83 provincial budgets. For Alberta, Manitoba, Ontario, Nova Scotia, Prince Edward Island, Newfoundland and the federal government, the revised forecasts were published in the 1983 budgets. For other provinces, information was derived from quarterly financial reports.
2 No revisions, as 1982 Budget was tabled November 24, 1982.
3 Total revenue and expenditure basis.

Assisted by the restraint program and expenditure control, Ontario's 1982-83 per capita deficit of $293 was the lowest among the provinces. As Chart 1 shows, Prince Edward Island at $350 and Quebec at $354 were the next lowest after Ontario.

PROVINCIAL CASH REQUIREMENTS PER CAPITA: 1982-83 CHART 1
(dollars)



Increasing Public Service Efficiency

As a result of Ontario's restraint program introduced in 1975, public service employment has been reduced by 6.6 per cent from 87,109 in March 1975 to 81,396 by March 1983. The 1983 level also represents a decrease from last year's total employment strength of 81,826.

ONTARIO PUBLIC SERVICE AND POPULATION: 1975 and 1983[1] TABLE 4

	March 31		
	1975	1983	Change
			(per cent)
Population	8,172,200	8,790,000	7.6
Public Service	87,109	81,396	-6.6
Public Service Per 1000 Population	11	9	

Sources: Civil Service Commission of Ontario; and Ontario Treasury.

[1] Excludes 431 temporary jobs within the Provincial Government at March 31, 1983, associated with BILD job-creation programs.

When public agencies in addition to the direct civil service are taken into account, Ontario compares favourably with other Canadian jurisdictions. As reported by Statistics Canada, the number of provincial employees per thousand of population in Ontario declined from 13 in 1975 to 12 in 1982. As shown in Table 5, this represents the lowest number of provincial employees per thousand of population among the provinces in Canada.

PROVINCIAL EMPLOYEES[1] PER THOUSAND POPULATION AS AT DECEMBER 31 — TABLE 5

	1975	1982
British Columbia	N/A	16
Alberta	25	25
Saskatchewan	19	16
Manitoba	15	14
Ontario[2]	**13**	**12**
Quebec	14	14
New Brunswick[3]	19	19
Nova Scotia	24	25
Prince Edward Island	36	34
Newfoundland	22	25

Source: Statistics Canada.

1 In general, includes all employees on provincial payrolls and those of agencies, boards and commissions owned by the provinces. Excludes university employees and workers in hospitals not provincially owned.

2 Includes employees of the Alcoholism and Drug Addiction Research Foundation, Niagara Parks Commission, Toronto Area Transit Operating Authority, Ontario Place, Ontario Northland Transportation Commission and subsidiaries, Urban Transportation Development Corporation and subsidiaries, Workers' Compensation Board and Colleges of Applied Arts and Technology.

3 For comparability purposes, primary and secondary school teachers in New Brunswick have been removed from the Statistics Canada data.

Although Statistics Canada data provide a useful basis for interprovincial comparisons, they share the limitations of similar surveys measuring services that are not identical. Canadian provinces, for example, assume varying shares of responsibility for local sector functions. Nevertheless, this measure offers some basis for comparability.

Capital Investment

The Province's capital investment of $16,181 million since 1975-76 exceeds cumulative net borrowing of $14,551 million, as shown in Table 6. In 1983-84, capital spending will amount to $2,314 million, up from $2,282 million in 1982-83. Table 7 provides details of Ontario's recent capital spending.

CAPITAL INVESTMENT AND NET BORROWING:[1] TABLE 6
1975-76 TO 1983-84
($ million)

	Capital Investment	Net Borrowing
1975-76	1,627	1,974
1976-77	1,480	1,092
1977-78	1,536	1,506
1978-79	1,361	1,652
1979-80	1,561	1,132
1980-81	1,709	968
1981-82	2,311	1,363
1982-83 Interim	2,282	2,051
1983-84 Estimated	2,314	2,813
Total	16,181	14,551

[1] Excludes Ontario Hydro.

RECENT TRENDS IN ONTARIO'S CAPITAL INVESTMENT
($ million)

TABLE 7

	1981-82	Interim 1982-83	Estimated 1983-84
Social Investments			
Health & Social Services	251	270	252
Education	75	108	116
Recreation & Culture	75	91	90
	401	469	458
Economic Investments			
Transportation	1,010	1,176	1,194
Environment	311	318	280
Commercial Loans	36	15	30
Other	129	151	149
	1,486	1,660	1,653
Other			
Financial Assets	325	37	59
Land	11	12	10
Miscellaneous	88	104	134
	424	153	203
Total	2,311	2,282	2,314

II 1982-83 FISCAL YEAR IN RETROSPECT

The management of public finances in the recessionary environment of 1982-83 presented many challenges to provincial governments as well as to the Government of Canada. Net cash requirements in Ontario increased $316 million above the original Budget estimate. Revenues in 1982 were down $150 million from the Budget plan with expenditures increasing by $166 million.

1982 BUDGET PERFORMANCE TABLE 8
($ million)

	Budget Plan	Interim Results	In-Year Changes	
				(per cent)
Revenues	20,545	20,395	-150	-0.7
Expenditures	22,777	22,943	+166	+0.7
Net Cash Requirements	2,232	2,548	+316	

1982-83 Expenditures

The financial plan presented in the 1982 Ontario Budget included the provision of $171 million for a short-term job-creation program through the acceleration of capital projects and enrichment of youth programs and cooperative employment projects. Another major initiative was the $75 million Renter-Buy Program aimed at stimulating housing and related industries.

Expenditure increases totalling $728 million were approved during the year. Of these, $562 million was offset from internal savings. As a result, the planned expenditure ceiling was exceeded by $166 million.

A significant portion of the $728 million in-year increase related to regular programs. However, $150 million provided for a number of non-recurring or extraordinary items, including $76 million for the Massey-Ferguson share purchase guarantee and $45 million in assistance to tobacco farmers through the Crop Insurance Commission.

SUMMARY OF IN-YEAR ADJUSTMENTS IN 1982-83 TABLE 9
($ million)

In-Year Increases		
Health, Hospital and Related Programs	190	
Social Assistance Programs	127	
Direct Job Creation and Apprentice Training	86	
Massey-Ferguson Share Purchase Guarantee	76	
Tobacco Crop Loss and Farm Tax Rebate	65	
Water Treatment and Pollution Control Facilities	27	
Small Business Development Corporation Grants	8	
Regional Economic Development	8	
Other	141	+728
In-Year Reductions		
Teachers' Superannuation Fund - Reduction in Unfunded Liability Instalments	79	
Discretionary Capital Projects	79	
Year-End Savings	78	
General Legislative Grants	55	
Public Debt Interest Expense	54	
Ontario Farm Adjustment Assistance Program	20	
Loans to Ontario Development Corporations	18	
Direct Operating Expenditure and All Other	179	-562
Net Change		+166

Recessionary forces exerted upward pressures on social programs and necessitated a $127 million increase in social assistance payments in 1982-83. Health care programs were bolstered by $190 million, including $110 million directed to the operation of hospitals and $66 million in increased health insurance and drug benefit payments. In addition to the $171 million announced in the 1982 Budget, the Province provided a further $86 million in support of direct job-creation and apprenticeship-training activities during the year.

1982-83 Revenues

Adjustments to the revenue estimates during the 1982-83 fiscal year brought the total revenue figure to $20,395 million, $150 million below the original Budget forecast. Ontario's revenue performance is highlighted in Table 10.

IN-YEAR REVENUE PERFORMANCE: 1982-83 TABLE 10
($ million)

	Budget Plan	Interim	In-Year Changes	
				(per cent)
Taxation Revenues	12,613	12,370	-243	-1.9
Other Revenues	3,615	3,635	+20	+0.6
Federal Government Payments	3,243	3,292	+49	+1.5
Non-Budgetary Revenues	1,074	1,098	+24	+2.2
Total Revenues	20,545	20,395	-150	-0.7

Weaker than anticipated economic performance during the year led to reductions in revenue from corporate taxes, retail sales taxes and fuel taxes; together these sources were down by $497 million from the Budget plan. The economic environment also contributed to lower OHIP revenues, as high unemployment led to increases in premium assistance. Cash transfers for Established Programs Financing were revised downward by $85 million, reflecting a recovery for prior years by the federal government.

The major revenue increase occurred in personal income tax. While revenue for the 1982 taxation year fell in response to lower personal income, a prior-year adjustment of $351 million by the federal government resulted in a $274 million net increase from the Budget estimate. In addition to increased federal transfers for skills training, transfers under the Canada Assistance Plan were $93 million above the Budget forecast, reflecting the Province's increased social assistance expenditures. Revenue increases were also recorded in receipts from liquor sales and licensing, and interest on Provincial investments.

SUMMARY OF IN-YEAR REVENUE CHANGES: 1982-83 TABLE 11
($ million)

Revenue Increases		
Personal Income Tax	274	
Canada Assistance Plan	93	
Interest on Investments	76	
Skills Training	28	
Ontario Housing Corporations	26	
LLBO Fees, Licences and Permits	25	
Tobacco Tax	21	
All Others	65	+608
Revenue Decreases		
Retail Sales Tax	255	
Corporation Taxes	128	
Gasoline and Motor Vehicle Fuel Taxes	114	
Established Programs Financing	85	
OHIP Premiums	38	
Land Transfer Tax	25	
Ontario Lottery Profits	20	
All Others	93	-758
Net Change		-150

FINANCIAL TABLES

STATEMENT OF PROVINCIAL NET CASH REQUIREMENTS AND RELATED FINANCING
($ million)

TABLE C1

	Actual 1981-82	Interim 1982-83	Estimated 1983-84
Consolidated Revenue Fund Inflows			
Budgetary Revenue	17,884	19,297	20,890
Deposits into Trust Accounts	660	764	834
Repayments of Loans	342	334	291
Total Inflows (Table C2)	18,886	20,395	22,015
Consolidated Revenue Fund Outflows			
Budgetary Expenditure	19,651	22,533	24,288
Payments out of Trust Accounts	195	223	226
Loans and Investments	543	187	196
Total Outflows (Table C3)	20,389	22,943	24,710
NET CASH REQUIREMENTS	1,503	2,548	2,695
Financing			
Non-Public Borrowing			
Canada Pension Plan[1]	769	1,236	1,240
Teachers' Superannuation Fund	670	945	850
Retirements	(14)	(84)	(10)
Net Non-Public Borrowing	1,425	2,097	2,080
Public Borrowing			
Treasury Bills/Debenture Issues	-	-	1,000
Retirements	(62)	(46)	(267)
Net Public Borrowing	(62)	(46)	733
Increase In Liquid Reserves	(140)	(497)	118
TOTAL FINANCING	1,503	2,548	2,695

1 In 1981-82 the Province transferred $500 million of CPP funds to Ontario Hydro.

REVENUES
($ million)

TABLE C2

	Actual 1981-82	Interim 1982-83	Estimated 1983-84
TAXATION REVENUE			
Personal Income Tax[1]	4,928	5,858	6,045
Corporation Taxes			
Income Tax	1,322	877	1,132
Capital Tax	329	353	373
Insurance Premiums Tax	118	133	153
Mining Profits Tax	56	27	35
Retail Sales Tax	2,853	3,422	3,881
Gasoline Tax	759	848	880
Motor Vehicle Fuel Tax	172	184	193
Reciprocal Taxation	48	51	69
Tobacco Tax	345	449	533
Land Transfer Tax	129	100	130
Race Tracks Tax	59	66	70
Other Taxation	18	2	7
	11,136	12,370	13,501
OTHER REVENUE			
OHIP Premiums	1,179	1,364	1,474
LCBO Profits	502	533	550
Interest on Investments	623	536	395
Vehicle Registration Fees	296	284	270
LLBO Fees, Licences and Permits	170	210	230
Other Fees and Licences	179	197	200
Ontario Lottery Profits	137	117	114
Fines and Penalties	76	75	75
Royalties	67	73	75
Utility Service Charges	73	66	70
Sales and Rentals	64	58	65
Miscellaneous	122	122	112
	3,488	3,635	3,630
Payments from the Federal Government (Table C4)	3,260	3,292	3,759
Deposits into Trust Accounts (Table C5)	660	764	834
Repayments of Loans (Table C6)	342	334	291
TOTAL INFLOWS	18,886	20,395	22,015

[1] Net of Tax Credits of $249 million, $260 million and $250 million for the 1981-82, 1982-83 and 1983-84 fiscal years.

EXPENDITURES
($ million)

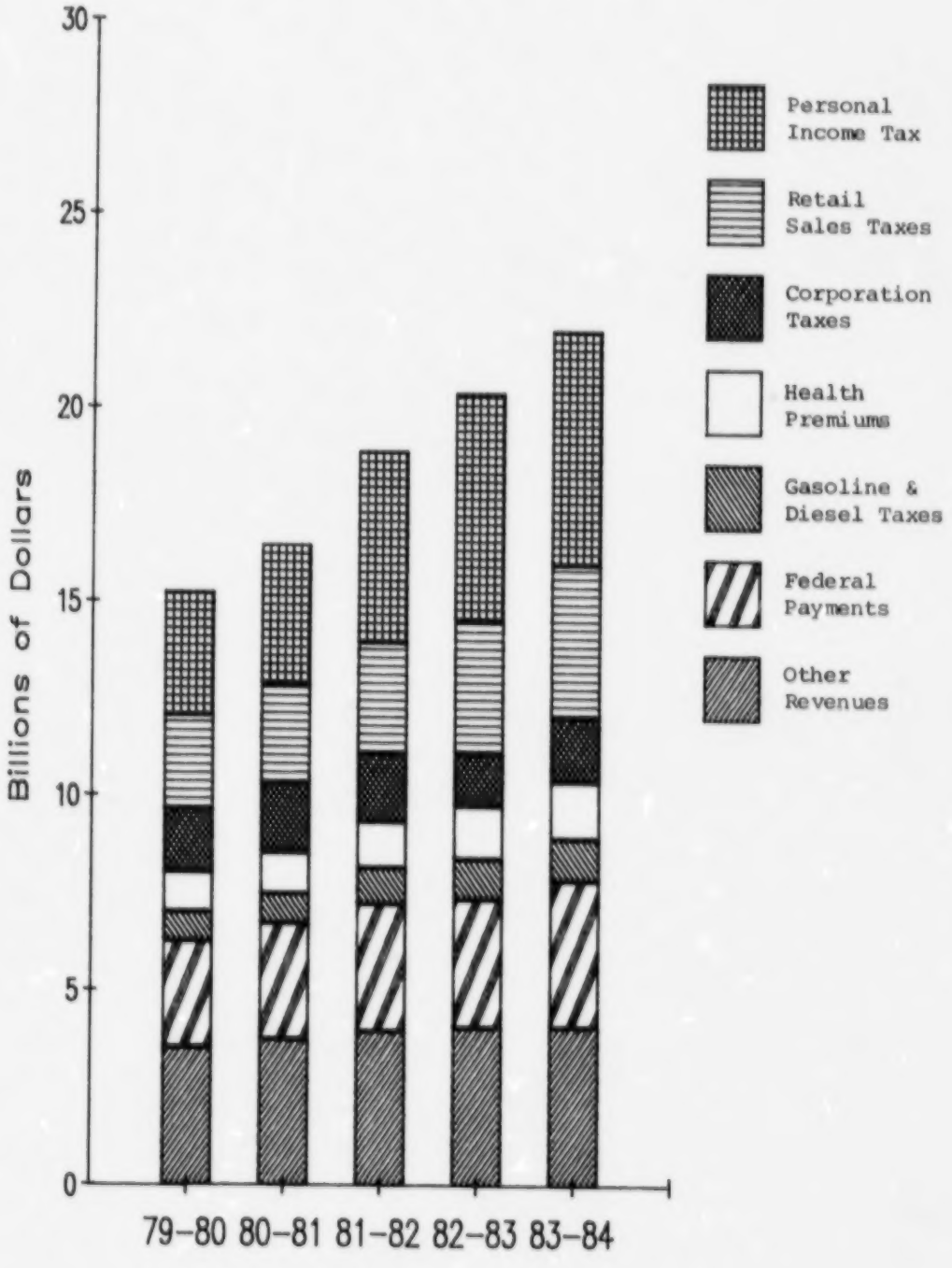
TABLE C3

	Actual 1981-82	Interim 1982-83	Estimated 1983-84
Social Development Policy			
Health	5,811	6,763	7,516
Education	3,045	3,159	3,436
Community and Social Services	1,773	2,126	2,261
Colleges and Universities	1,669	1,885	2,045
Citizenship and Culture	159	215	194
Social Secretariat	4	6	12
	12,461	14,154	15,464
Resources Development Policy			
Transportation and Communications	1,323	1,446	1,476
Municipal Affairs and Housing	1,015	1,053	1,071
Natural Resources	356	376	394
Environment	345	346	314
Agriculture and Food	305	330	295
Tourism and Recreation	101	94	121
Industry and Trade	100	167	105
Energy	41	100	98
Ontario Energy Corporation	325	11	39
Labour	61	67	71
Resources Secretariat	3	4	3
	3,975	3,994	3,987
Justice Policy			
Solicitor General	248	290	294
Attorney General	207	237	239
Correctional Services	174	207	219
Consumer and Commercial Relations	101	125	120
Justice Secretariat	1	1	1
	731	860	873
General Government			
Revenue	537	617	630
Government Services	311	381	373
Treasury and Economics	165	194	225
BILD	143	166	175
Short-Term Job Creation	-	211	242
Northern Affairs	170	180	158
Board of Internal Economy	43	41	41
Management Board	12	16	17
Intergovernmental Affairs	5	7	7
Legislative and Executive Offices	4	4	4
	1,390	1,817	1,872
Public Debt Interest	1,832	2,118	2,610
Contingency Fund	-	-	204
Constraints to be reported	-	-	(300)
TOTAL OUTFLOWS[1]	20,389	22,943	24,710

1 Includes Payments out of Trust Accounts, Table C7, and Loans and Investments, Table C8.

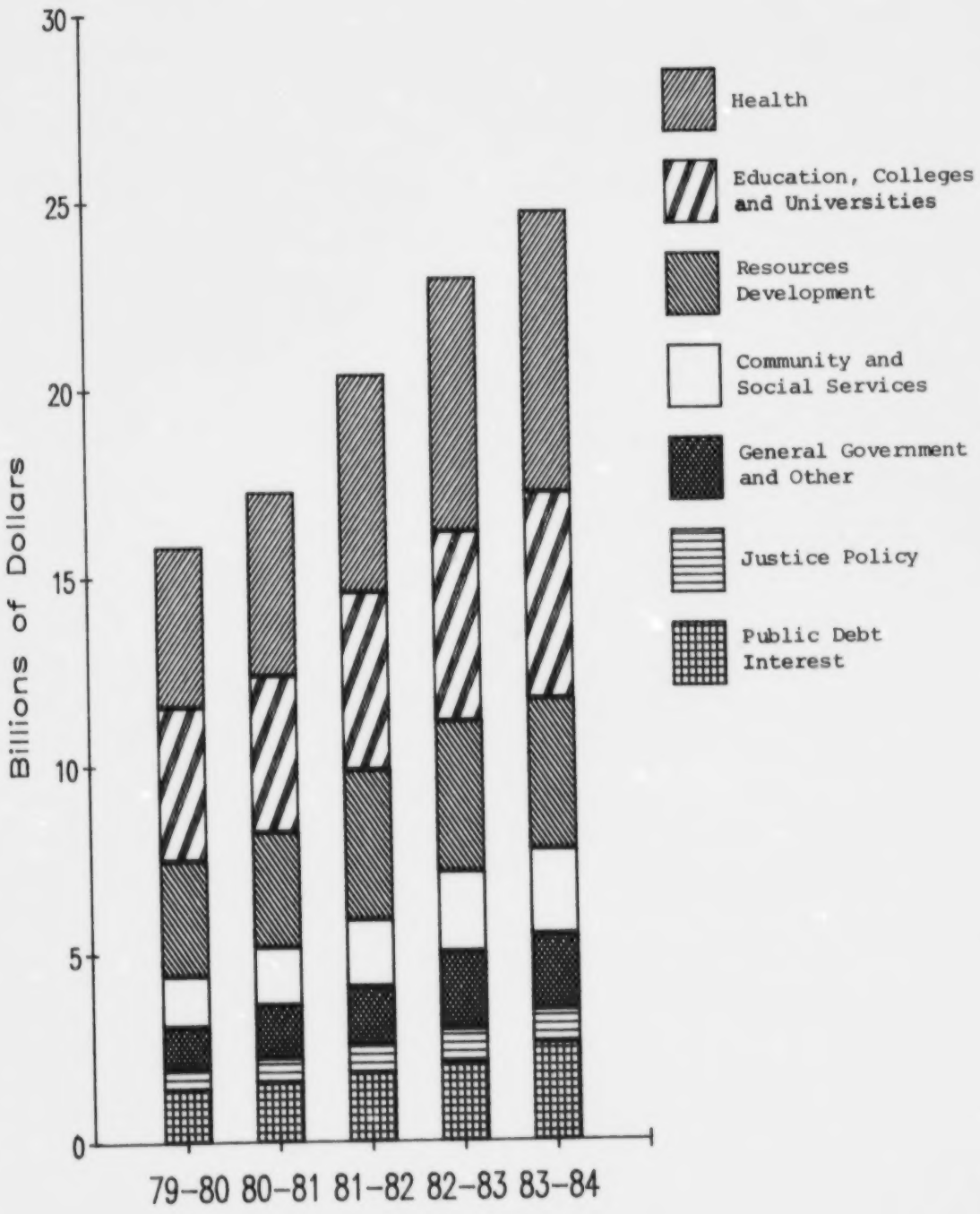
REVENUE SOURCES:
1979-80 to 1983-84
(per cent of total)

CHART C1



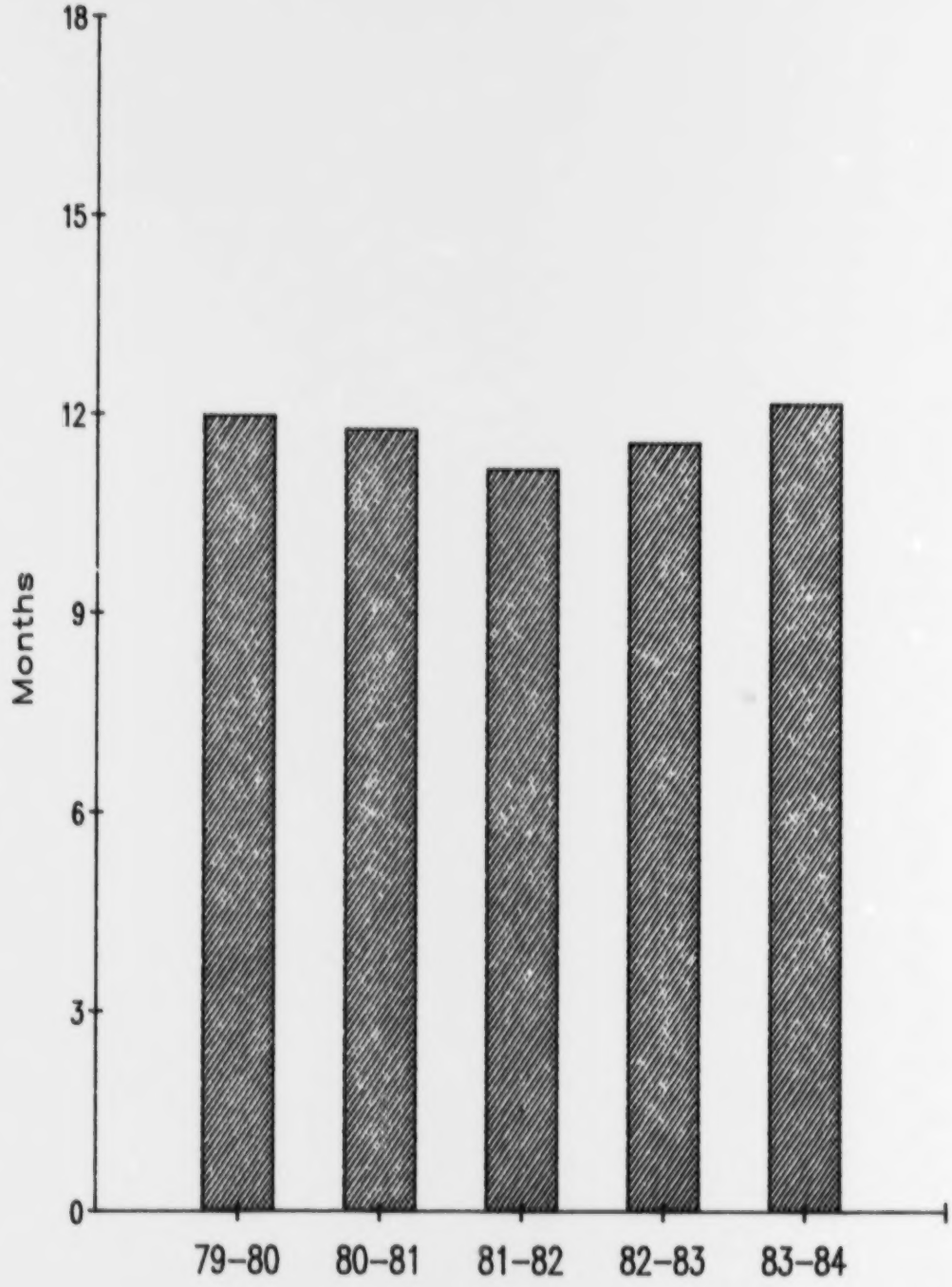
EXPENDITURE FUNCTIONS:
1979-80 to 1983-84
(per cent of total)

CHART C2



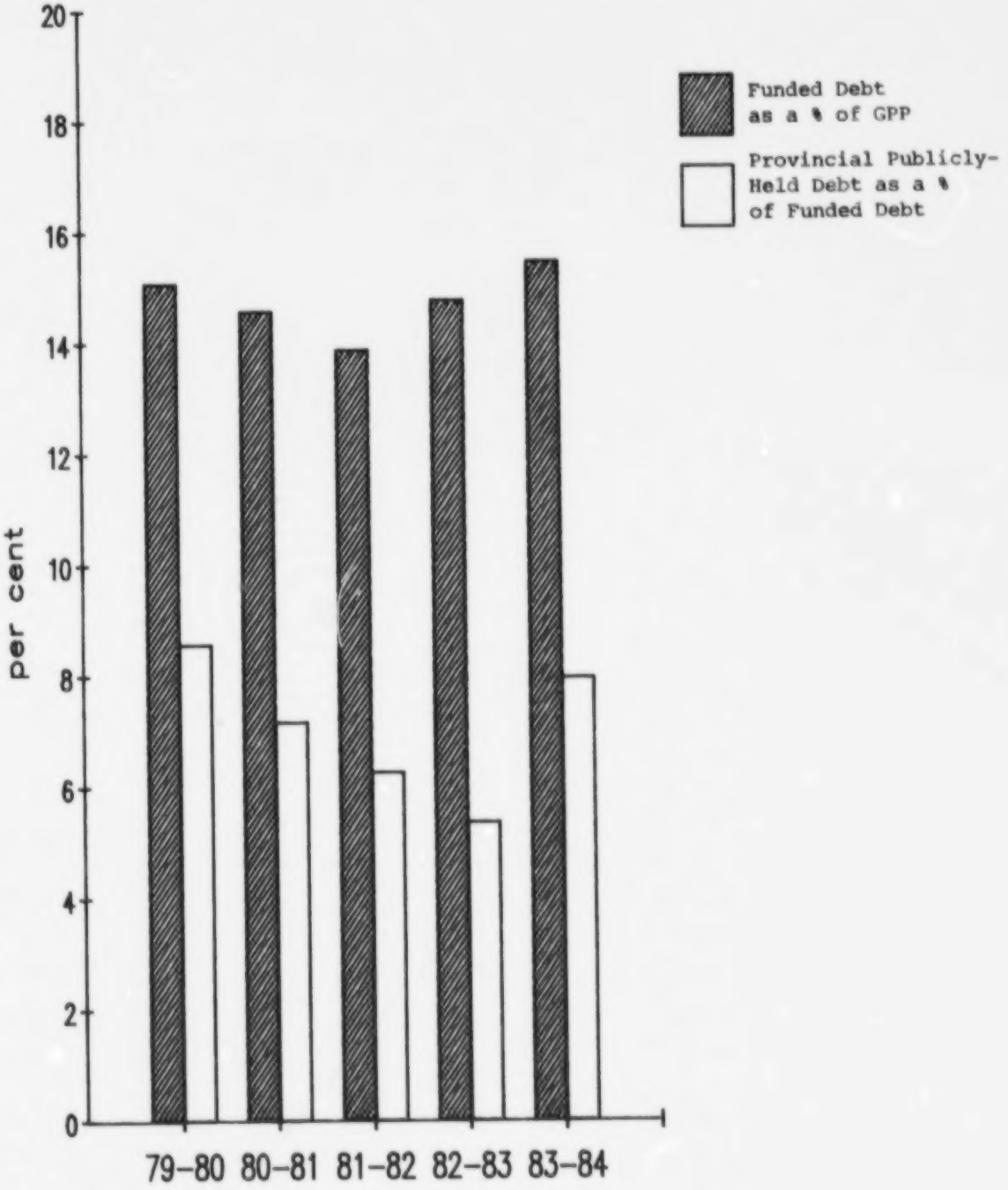
MONTHS OF REVENUE REQUIRED TO REPAY PROVINCIAL FUNDED DEBT:
1979-80 to 1983-84

CHART C3



PROVINCIAL FUNDED DEBT AND PUBLICLY-HELD DEBT:
1979-80 to 1983-84

CHART C4



PAYMENTS FROM THE FEDERAL GOVERNMENT
($ million)

TABLE C4

	Actual 1981-82	Interim 1982-83	Estimated 1983-84
Established Programs Financing	2,044	1,894	2,293
Extended Health Care Services	257	288	316
Canada Assistance Plan	630	774	795
Skills Training	124	152	166
Bilingualism Development	37	36	38
Crop Insurance	21	15	36
Vocational Rehabilitation	17	24	23
Economic Development	18	22	22
Indian Welfare Services	15	18	19
Community Services Projects	59	21	11
Legal Aid	9	10	11
Other	29	38	29
TOTAL	3,260	3,292	3,759

DEPOSITS INTO TRUST ACCOUNTS
($ million)

TABLE C5

	Actual 1981-82	Interim 1982-83	Estimated 1983-84
Public Service Superannuation Fund	415	486	535
Superannuation Adjustment Fund	157	191	210
Interprovincial Lottery Trust Fund	30	45	42
Province of Ontario Savings Office - Net Deposits	31	18	25
Other	27	24	22
TOTAL	660	764	834

REPAYMENTS OF LOANS
($ million)

TABLE C6

	Actual 1981-82	Interim 1982-83	Estimated 1983-84
Education Capital Aid Corporation	82	87	92
Investment in Environmental Protection	101	71	47
Universities Capital Aid Corporation	31	32	34
Ontario Land Corporation	32	60	29
Ontario Development Corporations	31	21	22
Tile Drainage Debentures	14	17	17
Ontario Housing Action Program	5	6	15
Loans to Public Hospitals	17	17	14
Other	29	23	21
TOTAL	342	334	291

PAYMENTS OUT OF TRUST ACCOUNTS
($ million)

TABLE C7

	Actual 1981-82	Interim 1982-83	Estimated 1983-84
Public Service Superannuation Fund	101	112	135
Superannuation Adjustment Fund	26	36	53
Interprovincial Lottery Trust Fund	43	43	17
Motor Vehicle Accident Claims Fund	15	17	17
Other	10	15	4
TOTAL	195	223	226

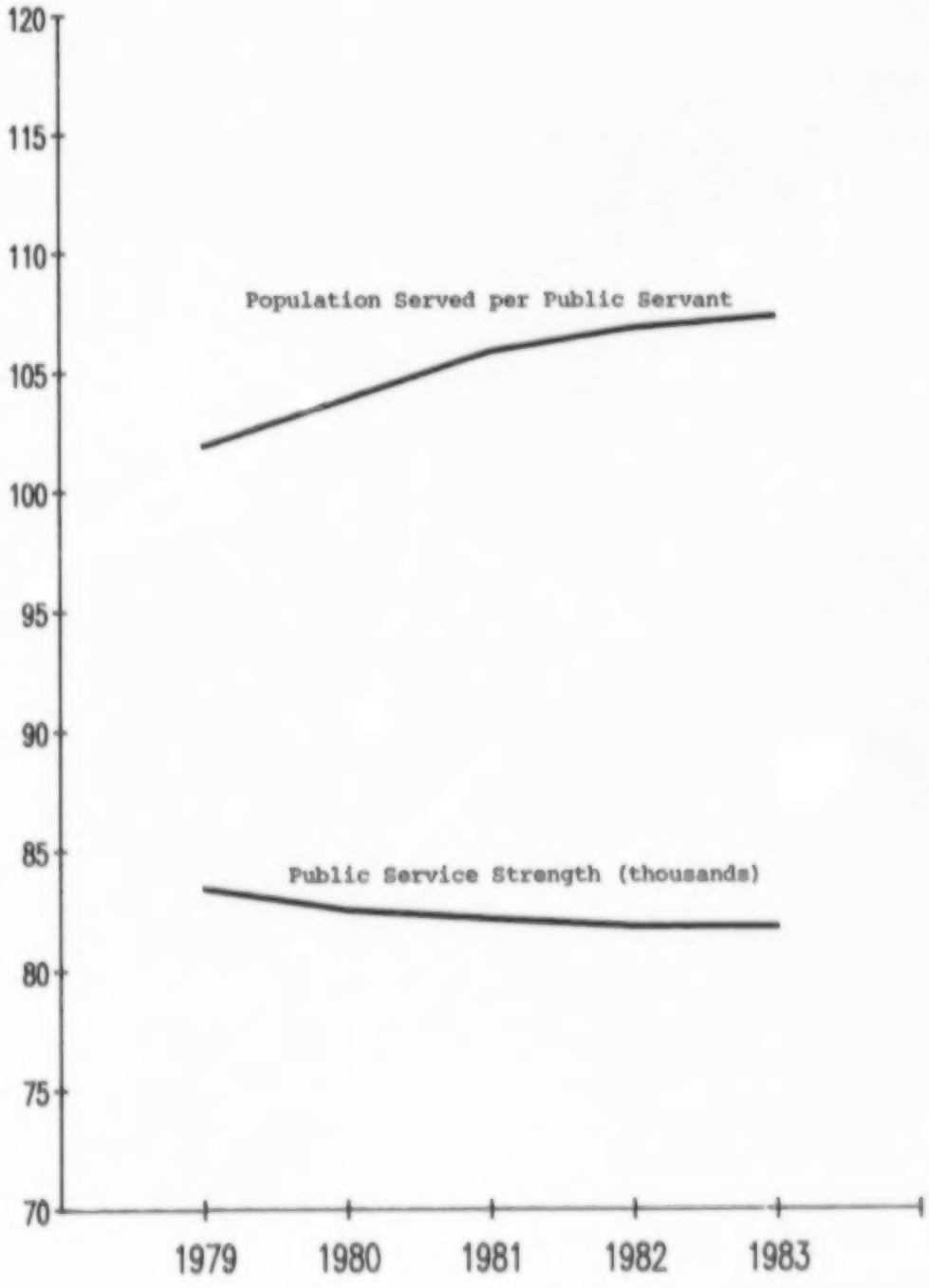
LOANS AND INVESTMENTS
($ million)

TABLE C8

	Actual 1981-82	Interim 1982-83	Estimated 1983-84
Investment in Environmental Protection	101	72	69
Ontario Energy Corporation	325	11	39
Ontario Development Corporations	36	15	30
Tile Drainage Debentures	28	29	30
BILD	28	19	15
Ontario Land Corporation	15	11	5
Municipal Improvement Corporation	3	6	4
Crop Insurance Commission	-	15	-
Other	7	9	4
TOTAL	543	187	196

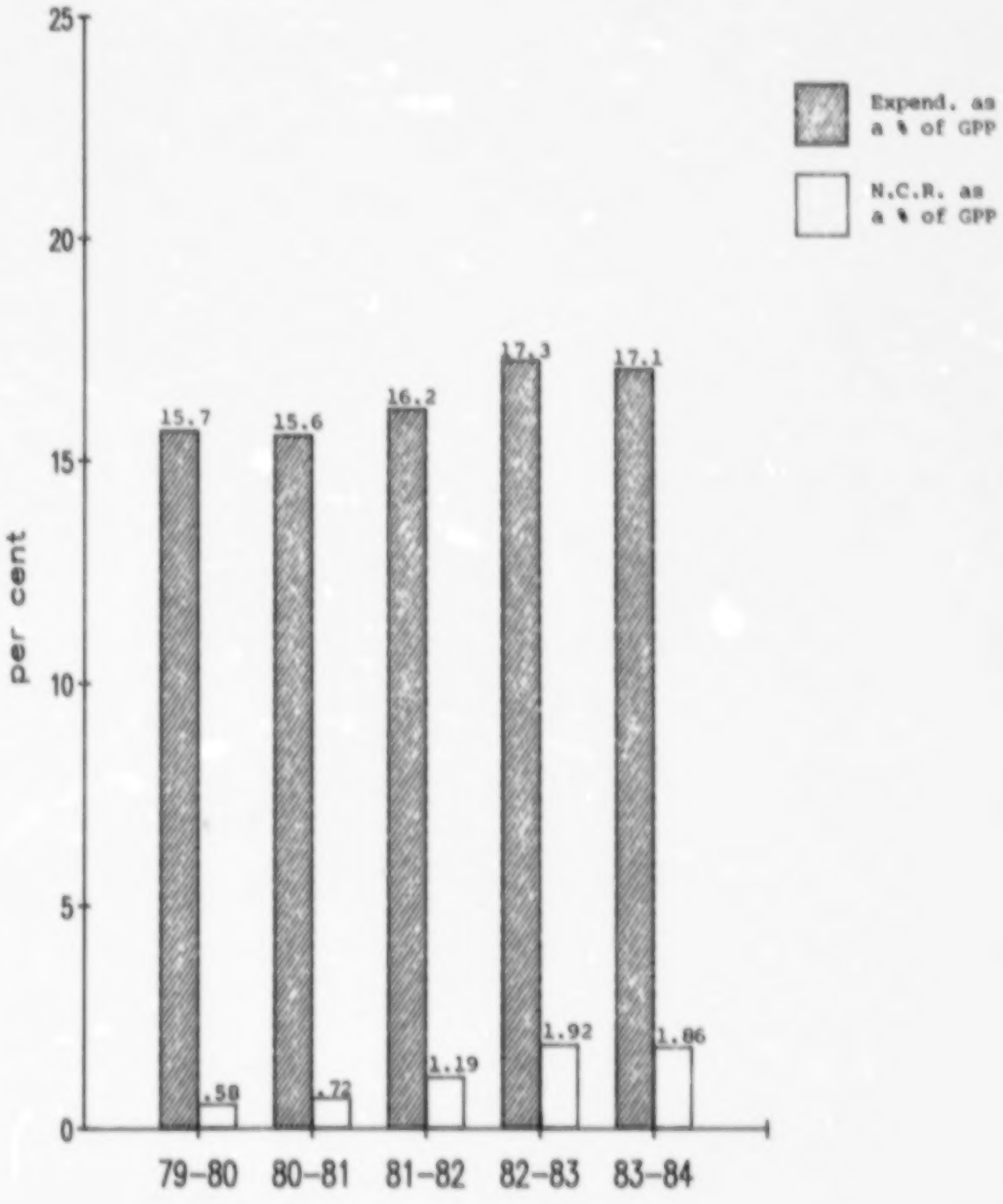
INCREASING EFFICIENCY IN THE ONTARIO PUBLIC SERVICE: 1979 to 1983

CHART C5



EXPENDITURE AND NET CASH REQUIREMENTS AS A PER CENT OF GROSS PROVINCIAL PRODUCT: 1979-80 to 1983-84

CHART C6



EXPENDITURES BY CATEGORY
($ million)

TABLE C9

	Actual 1981-82	Interim 1982-83	Estimated 1983-84
Transfer Payments			
Local Governments			
School Boards	2,565	2,729	2,964
Transportation	627	684	710
Unconditional Payments	699	697	769
Social Assistance	568	719	767
Short-Term Job Creation	-	56	94
Other	499	490	438
	4,958	5,375	5,742
Individuals and Institutions			
Operation of Hospitals	3,057	3,549	3,909
Payments to Doctors	1,543	1,846	2,096
Extended Care Benefits	193	223	237
Other Health	367	387	493
Teachers' Superannuation	370	314	345
Operating Grants to Colleges and Universities	1,273	1,430	1,547
Apprentice and Manpower Training	138	172	185
Student Assistance	94	118	129
Other Education	164	195	163
Income Support	1,262	1,443	1,519
Assistance to Farmers	174	193	169
Short-Term Job Creation	-	155	148
Ontario Renter-Buy Program	-	62	13
	8,635	10,087	10,953
Other Transfers			
Loans and Trust Accounts	710	391	407
GO Transit	82	99	99
BILD	143	166	175
Miscellaneous Transfers	515	656	559
	1,450	1,312	1,240
Total Transfers	15,043	16,774	17,935
Own Account			
General Government			
Salaries and Benefits	2,113	2,351	2,624
Direct Operating Expenditures and Other	1,401	1,700	1,841
Constraints to be reported	-	-	(300)
Public Debt Interest	1,832	2,118	2,610
TOTAL EXPENDITURE	20,389	22,943	24,710

PAYMENTS TO LOCAL GOVERNMENTS AND AGENCIES
($ million)

TABLE C10

	Actual 1981-82	Interim 1982-83	Estimated 1983-84
CONDITIONAL PAYMENTS			
Grants to School Boards			
General Legislative Grants	2,504	2,662	2,897
School Capital Grants	61	67	67
Transportation			
Roads	449	482	476
Transit	176	200	231
Other	2	2	3
Social Assistance			
General Welfare Assistance	254	346	371
Homes for the Aged	130	155	163
Children's Aid Societies	130	147	156
Day Nurseries	47	63	69
Other	7	8	8
Health			
Local Health Units	69	86	92
Other	22	24	31
Short-Term Job Creation	-	56	94
Environment	116	110	78
Agriculture	77	78	72
Municipal Affairs and Housing	106	67	60
Conservation Authorities	38	38	36
Library Boards	25	27	28
Recreation	14	13	12
Northern Affairs	14	18	10
Other	18	29	19
	4,259	4,678	4,973
UNCONDITIONAL PAYMENTS			
General Support	178	202	217
Resource Equalization	164	177	187
Per Capita - Policing	110	112	113
Per Capita - General	113	62	97
Payments-in-lieu of Taxes	62	69	77
Northern Ontario Support	49	56	60
Other	23	19	18
	699	697	769
TOTAL LOCAL TRANSFERS	4,958	5,375	5,742

PUBLIC SERVICE STRENGTH IN ONTARIO:
March 31, 1983[1]

TABLE C11

Ministry	Classified Staff	Unclassified Staff	Other Crown Employees	Total
Social Development Policy				
Health	10,469	1,654	-	12,123
Education	1,456	435	516	2,407
Community and Social Services	9,989	1,757	-	11,746
Colleges and Universities	562	43	2	607
Citizenship and Culture	569	178	-	747
Social Secretariat	43	39	-	82
	23,088	4,106	518	27,712
Resources Development Policy				
Transportation and Communications	9,470	1,281	-	10,751
Municipal Affairs and Housing	1,173	231	-	1,404
Natural Resources	4,163	1,371	-	5,534
Environment	1,526	148	-	1,674
Agriculture and Food	1,490	589	-	2,079
Tourism and Recreation	549	347	-	896
Industry and Trade	387	84	2	473
Ontario Development Corporations	156	12	-	168
Energy	182	87	-	269
Labour	1,419	96	20	1,535
Resources Secretariat	17	38	1	56
	20,532	4,284	23	24,839
Justice Policy				
Solicitor General	1,557	552	5	2,114
Attorney General	3,212	1,634	443	5,289
Correctional Services	4,773	923	47	5,743
Consumer and Commercial Relations	1,699	216	514	2,429
Justice Secretariat	14	7	-	21
	11,255	3,332	1,009	15,596
General Government				
Revenue	3,790	290	-	4,080
Government Services	2,749	280	-	3,029
Treasury and Economics	382	63	1	446
Northern Affairs	166	56	-	222
Management Board	62	21	-	83
Civil Service Commission	194	45	-	239
Intergovernmental Affairs	63	20	-	83
Legislative and Executive Offices	75	26	-	101
	7,481	801	1	8,283
O.P.P. Uniformed Staff and Security Guards	4,273	-	-	4,273
Environment Plant Operators	572	121	-	693
Total Staffing	67,201	12,644	1,551	81,396
Short-Term Job Creation	-	431	-	431
GRAND TOTAL	67,201	13,075	1,551	81,827

[1] Excludes staff of the Lieutenant Governor, Office of the Assembly, Ombudsman and Provincial Auditor.

RECONCILIATION OF EXPENDITURE ESTIMATES TO BUDGET PLAN: 1983-84
($ million)

TABLE C12

Expenditure Estimates		24,825
Add: Budget Initiatives		
• Beginning farmers program	9	
• Rental housing package	16	
• SBDC enrichment	18	
• Capital projects acceleration	82	
• Youth employment - enrichment	36	
• Manpower training - enrichment	14	
• Co-operative Projects Employment Fund	10	
		+185
Less: Constraints to be reported		-300
Budget Plan		24,710

TEN-YEAR REVIEW OF SELECTED FINANCIAL AND ECONOMIC STATISTICS
($ million)

	1974-75	1975-76	1976-77
Financial Transactions			
Revenue	8,855	9,520	11,148
Expenditure	9,832	11,319	12,467
Net Cash Requirements	977	1,799	1,319
Financial Position			
Funded Debt[1] (excluding Ontario Hydro)	7,844	9,818	10,895
Provincial Debt Transactions (net)	851	1,974	1,092
Publicly-Held Debt	1,166	1,909	1,679
Gross Provincial Product (GPP) at Market Prices	59,229	64,802	74,378
Personal Income	47,060	53,902	61,616
Population-June-(000's)	8,054	8,172	8,265
Funded Debt per Capita (dollars)	974	1,201	1,318
Personal Income per Capita (dollars)	5,843	6,596	7,455
Net Cash Requirements as a per cent of GPP	1.6	2.8	1.8
Funded Debt as a per cent of GPP	13.2	15.2	14.6
Total Expenditure as a per cent of GPP	16.6	17.5	16.8
Publicly-Held Debt as a per cent of GPP	2.0	2.9	2.3
Cumulative Net Borrowing for Ontario Hydro			
U.S.	1,710	2,240	2,509
C.P.P.	-	-	-
Contingent Liabilities (mainly Ontario Hydro)	3,933	5,147	5,806

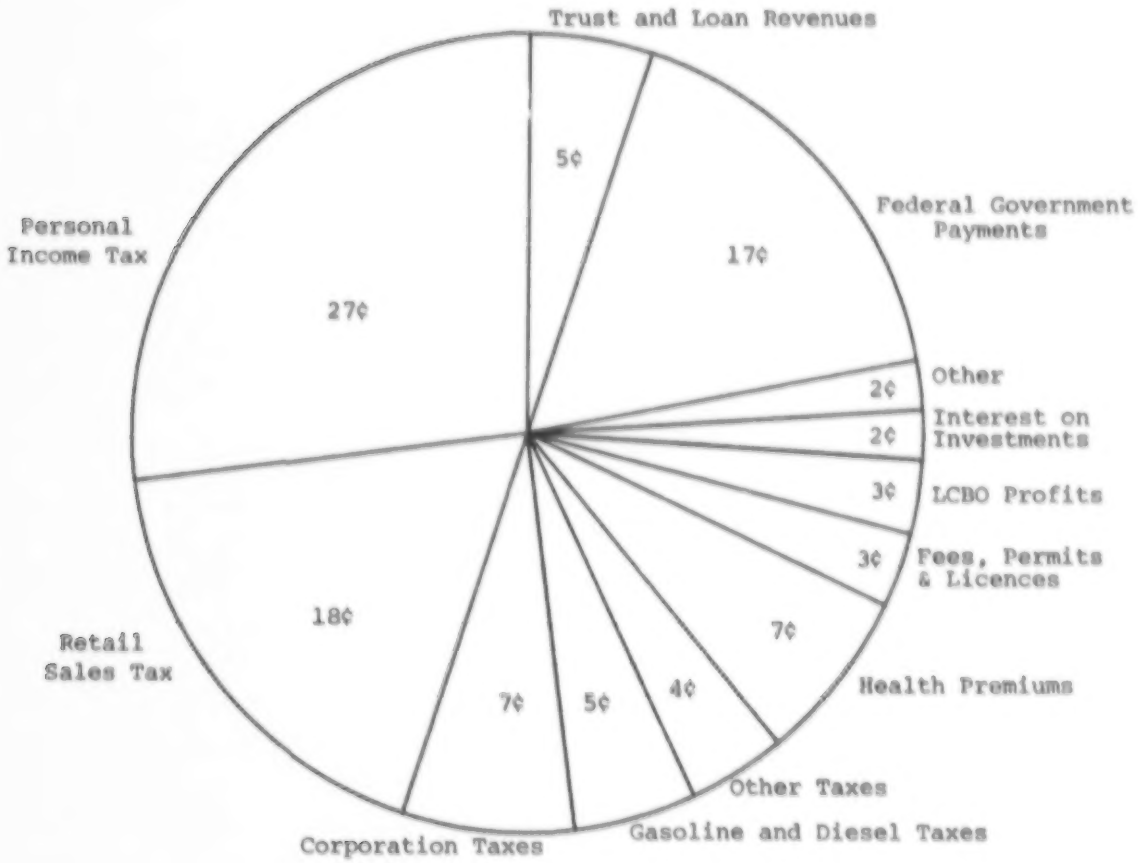
[1] Funded Debt includes bonds, debentures, notes and Treasury Bills.
N/A - not available.

TABLE C13

1977-78	1978-79	1979-80	1980-81	1981-82	Interim 1982-83	Estimated 1983-84
11,782	13,233	15,246	16,470	18,886	20,395	22,015
13,544	14,413	15,830	17,273	20,389	22,943	24,710
1,762	1,180	584	803	1,503	2,548	2,695
12,364	14,037	15,196	16,214	17,592	19,643	22,456
1,506	1,652	1,132	968	1,363	2,051	2,813
1,613	1,718	1,307	1,164	1,102	1,056	1,789
82,267	89,918	100,718	110,991	126,115	132,403	144,700
67,939	75,190	83,295	93,077	108,066	118,590	126,981
8,355	8,444	8,504	8,574	8,625	8,700	8,790
1,480	1,662	1,787	1,891	2,040	2,258	2,555
8,132	8,905	9,795	10,856	12,529	13,631	14,446
2.1	1.3	0.6	0.7	1.2	1.9	1.9
15.0	15.6	15.1	14.6	13.9	14.8	15.5
16.5	16.0	15.7	15.6	16.2	17.3	17.1
2.0	1.9	1.3	1.0	0.9	0.8	1.2
2,901	3,568	3,782	3,690	4,530	4,910	N/A
-	-	-	500	1,000	1,000	1,000
6,211	6,734	7,601	8,257	8,966	10,789	N/A

THE BUDGET DOLLAR CHART C7
FISCAL YEAR 1983-84 ESTIMATES

REVENUES



THE BUDGET DOLLAR
FISCAL YEAR 1983-84 ESTIMATES

CHART C7

EXPENDITURES